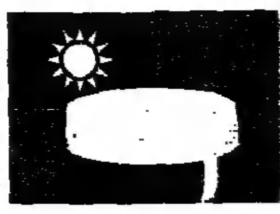
The real thing?

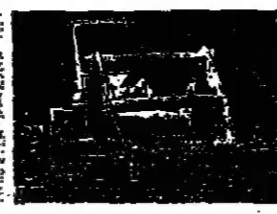
Challengers to Coke and Pepsi



One-beer state

Taiwan's monopoly under pressure

Page 4



Russia's tax haven

Offshore dreams in the Caucasus

Page 2

FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY AUGUST 24 1994

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Sharif warns India over Pakistan's atomic weapons

Nawaz Sharif (left), Pakistan's opposition party leader and former prime minister, warned that his country had the atomic bomb. Addressing a rally at Neelabutt in the Pakistan-controlled part of Kashmir, which is disputed between India and Pakistan, Sharif said an attack on his country by India could trigger a nuclear war. Some officials said Mr Sharif's statement could be meant to embarrass the government on both home and foreign policy fronts.

Benetton racing team signs deal with Renault

Benetton Formula, the leading grand prix racing team this year, is ending its eight-year partnership with Ford, its engine supplier, in favour of forming a new alliance with Renault. The French carmaker announced yesterday that it had reached agreement to supply Formula One engines to the Benetton team for three years starting in 1995.

Body Shop International, the UK-based cosmetics and toiletries retailer, is under investigation by the US Federal Trade Commission over its franchise operations in North America. Page 12

Bad debts hamper Lloyd's: Bad debts and declining investment returns will hold back the expected recovery in profits at Lloyd's, according to Chatset, the company that monitors the London insurance market. Page 12 and Lex

Doubt over N Korean leader: The delay in the official appointment of Kim Jong-il to the top leadership positions in North Korea is fuelling speculation in Seoul that his assumption of power may be in trouble. Page 12

Volkswagen chairman Ferdinand Piëch was accused of playing "malicious tricks" on his competitors after his gloomy views on market prospects hit German car shares. Page 13; World stocks, Page 30

Crédit Lyonnais, the troubled state-owned French bank, confirmed it was preparing criminal charges of financial impropriety against former executives of its loss-making associate company, International Bankers. Page 13

NFC chief quits: Peter Sherlock has resigned after just 18 months at the helm of the UK's largest transport and logistics group, NFC, and could receive up to £750,000 in compensation. Page 13; Lex, Page 12

US telecoms war: US long-distance telecoms operators are engaged in intense competition to provide core services. Page 13; Lex, Page 12; BT makes smart card investment, Page 6

Zedillo set to dominate Mexican Congress: Mexico's ruling party is set to win large majorities in both houses of Congress after Sunday's elections, giving Ernesto Zedillo's administration legislative control at least until the congressional elections in 1997. Page 4; Editorial Comment, Page 11

US ends duty on Canadian lumber: The US has ordered an end to collection of duty on imports of Canadian softwood lumber, but it has yet to agree to return an estimated \$450m-\$500m in duties which a bilateral dispute settlement panel said had been wrongfully collected. Page 4

Russia tackles armed forces corruption: Russian prime minister Viktor Chernomyrdin is preparing an all-out attack on corruption in the armed forces, Sevodnya, a leading Moscow daily, reported. Page 2

Nigeria appoints new military chiefs: Nigeria's head of state, General Sani Abacha, announced new chiefs of the army and navy following last week's crackdown on opposition. Page 3

Japanese job security row: A conservative cabinet member in Japan's new coalition government traded insults with the head of the employers' federation in a debate over the future of lifetime employment in Japanese industry. Page 3

Shine goes off bonuses: The UK government has closed a tax loophole which allowed companies to pay employees in diamonds or fine wines in order to avoid National Insurance contributions. Page 6

IRA London bomb claim: The IRA said it planted the bomb found in London's Regent Street on Monday.

■ STOCK MARKET INDICES		
FT-SE 100:	3,175.1	(+3.8)
Yield	3.97	
FT-SE Eurotrack 100	1,347.78	(+6.45)
FT-SE-A All-Share	1,592.41	(+0.1%)
Nikkei	20,380.78	(-13.80)
New York: lunchtime		
Dow Jones Ind Ave	3,778.15	(+24.93)
S&P Composite	465.07	(+2.76)
■ US LUNCHTIME RATES		
Federal Funds:	4 5/8%	
3-mo Treas Bills: Yld	4.678%	
Long Bond	99 11/16	
Yield	7.52%	
■ LONDON MONEY		
3-mo Interbank	5 1/2%	(5 7/16%)
Liffe long gilt future:	Sep 100 3/32	(Sep 100 3/4)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Oct)	\$15.93	(15.7)
■ Gold		
New York Comex (Dec)	\$386.5	(385.7)
London	\$382.0	(382.7)

■ STERLING		
New York lunchtime:		
\$	1.55485	
London:		
\$	1.5538	(1.5501)
DM	2.3893	(2.3729)
FFr	8.188	(8.1356)
SFr	2.0145	(2.0011)
Y	152.977	(151.843)
£ Index	78.6	(78.2)
■ DOLLAR		
New York lunchtime:		
DM	1.53675	
FFr	5.274	
SFr	1.298	
Y	98.23	
London:		
DM	1.5377	(1.5309)
FFr	5.2695	(5.2492)
SFr	1.2984	(1.291)
Y	98.45	(97.96)
\$ Index	62.4	(62.2)
Tokyo close Y 98.13		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK\$19	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S\$4.30
Bulgaria	Lv60.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KS50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk8.50	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
France	FFr9.50	Kuwait	Fils625	Poland	Zl 22,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US\$1.50	Portugal(mland) Esc225		Turkey	L30000
						UAE	Dh12.00

Bidders shy away from HK property market

By Louise Lucas in Hong Kong

For the first time in a decade, the Hong Kong government auctioneer heard only silence yesterday when a plot of public land was put on the block. And for two other prime lots, after almost 10 minutes of bid-less uninterest, China came to the rescue with a face-saving offer.

The result of the auction was as much about troubled relations between the Hong Kong government and developers, as it was about longer-term confidence in the territory's property market. But the unusual silence spooked Hong Kong stock prices, with the Hang Seng index losing 2.36 per cent on the day.

The auction hall was packed, as it generally is for the regular government sell-offs, but the biggest property developers opted to send middle managers rather than the senior officers who typically attend. To some observers, their absence indicated an intention to protest against government attempts to influence property prices.

But the lack of bids also stirred fears about the fate of Hong Kong property prices, which have fallen by at least 12 per cent since their peak of March. The mood has shifted after an estimated 200 per cent leap in prices during the past three years.

Analysts who argue that the market is not ready for a real fall, say the present turbulence results from the tension between the government and the developers since plans were announced to cool the market in March by increasing the flow of land. This tension has been heightened by a corruption investigation against leading property developers.

Yesterday's auction was, in effect, left in the hands of one bidder, Chinese-backed Citic Pacific, which clinched two plots at the opening bids of HK\$950m (US\$123m) and HK\$220m – sharply less than market expectations, which were as high as HK\$1.2bn for the first plot, a residential site which Citic plans to develop into around 300 flats.

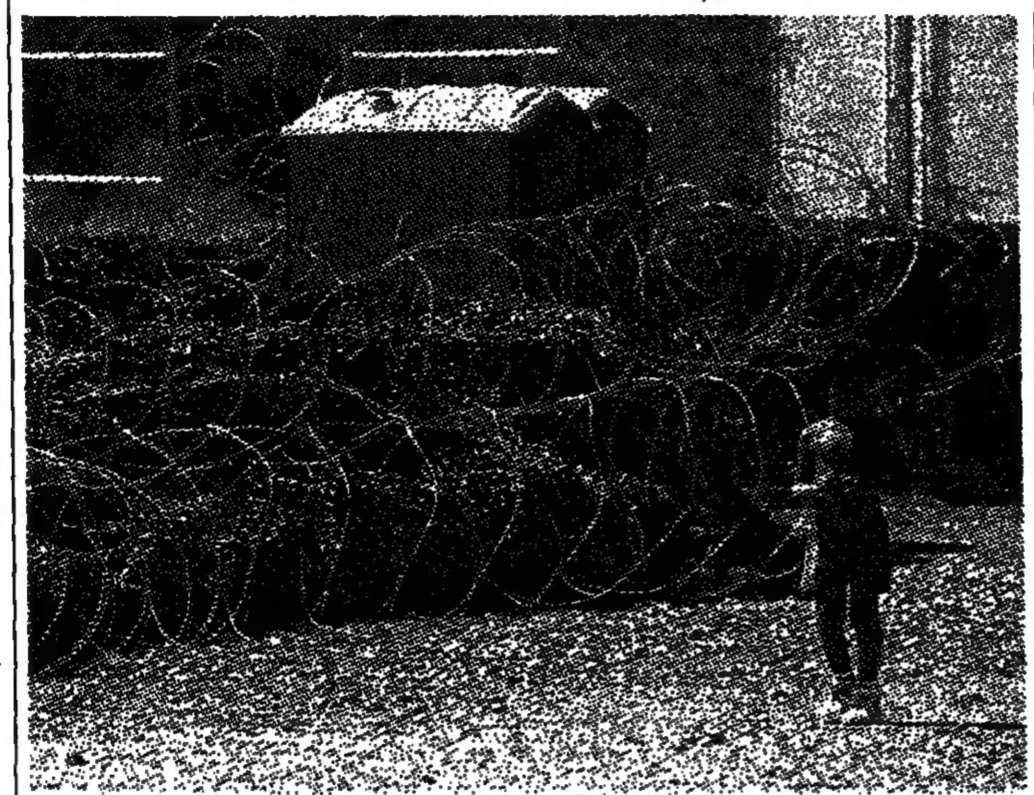
Citic's role was a positive sign for some observers who interpreted it as a vote of confidence from China in Hong Kong's long-term prosperity. Last month's auction saw another mainland-backed company, China Travel, bid aggressively, highlighting China's vested interests in the territory, over which Beijing will take control in 1997.

Mr John Corrigall, the auctioneer, stressed that one Tuesday auction was not wholly indicative of the outlook for the property market, but confessed to being "a little disappointed". He attributed the poor response to a rise in interest rates – Hong Kong banks put up their main lending rate by 50 basis points to 7.75 per cent last Friday – and a cautious attitude among developers. "It is confirmation that some of the heat has gone out of the market," he said.

But there was at least one happy man, Citic's managing director Henry Fan. "It was a pleasant surprise," he said. "We never expected the complete non-existence of competition. We seldom have the chance even to put our hands up."

The tension between the government and Hong Kong developers is unlikely to end quickly. The colony's Independent Commission Against Corruption is seeking to establish whether developers colluded at a May land auction to divide up lots among themselves and minimise their outlays.

But analysts fear that the investigation and attempts to control developers could harm the property and financial markets. About 65 per cent of the Hang Seng Index is linked to the property market, and with some private forecasts of falls of 50 per cent or more in property prices, bidding silences could become all the more eerie.



Cuban refugee Roberto Santorez, 5, walks past a row of barbed wire at the Camp Buckeley detention centre at the Guantanamo Bay naval base. Cuban exodus to US increases, Page 4

Picture: Reuter

Deal close on 'fast-track' authority

US Congress set to increase controls over trade issues

By Nancy Dunne in Washington

US trade officials are nearing the end of intricate discussions with Congress that will give the president a six-year authority to negotiate new trade agreements but weaken US efforts to bring labour and environmental issues into future pacts.

The negotiations are over US legislation needed for the introduction of the contents of Uruguay Round agreements under the General Agreement on Tariffs and Trade. As the result of countless deals cut by Congress and the administration over the last few months, it is hoped that the legislation can be introduced next month and passed without amendment.

The legislation now contains the fast-track negotiating authority that President Bill Clinton has requested for future trade negotiations, but in amended form.

The fast-track process, in theory, enables the president to submit for final approval trade pacts which cannot be amended. This is meant to assure US trading partners that the executive branch has the authority it needs to negotiate in good faith. However, Congress has retained much of its authority over trade. Under the new fast-track provision, the president will have to notify Congress 60 days before starting formal trade negotiations. During that time either house may disapprove of the proposed negotiation by majority vote.

Before signing an agreement, the president must notify Congress. The president has to give 120 days notice in order to allow private sector advisers 45 days to submit reports evaluating the agreement.

After three years, the president must request a three-year extension of the fast-track to December 15 2000. The advisers must also submit their views.

The administration has also been forced to eliminate environment and labour concerns from the negotiating objectives proposed in the fast-track. These were contained in the previous fast-track authorisation in 1988, but were played down by the Republican administrations. However, Mr Clinton's pursuit of these objectives in side agreements to the North American Free Trade Agreement has since alarmed the business community and free trade Republicans.

Although removed as fast-track objectives, environment and workers' rights have remained in the body of the Uruguay Round implementing legislation.

"The administration believes that these issues are appropriate to be included as part of future negotiations with prospective trade partners, but believes that an approach should be worked out with Congress and the representatives of the private sector on a case-by-case basis," according to the proposed wording.

However, the administration has promised not to negotiate agreements which authorise sanctions against trading partners on environmental or labour practices "in the absence of bipartisan Congressional support".

In the negotiations on the implementing legislation for the Uruguay Round, congressmen have been approving measures to strengthen the US anti-dumping regime, which many trade lawyers regard as an alternative form of protectionism.

Russians defend the rouble with a flood of US dollars

By John Thornhill in Moscow

Russia's central bank made its most forceful intervention in the history of Moscow's infant currency exchange yesterday when it flooded the market with US dollars to counteract a slide in the rouble.

The central bank's action appeared at odds with recent government moves to lower interest rates and extend credits in response to lobbying from cash-strapped companies. Russian officials suggested a rift in monetary policy might be developing between different government departments.

A cut in the three-month refinancing rate from 150 to 130 per cent on Monday unsettled the rouble, raising concern about further monetary loosening at a time when the government's fiscal position is under strain.

Increased government spending and a softening of its position on credits to industrial enterprises and farms has also raised inflation worries.

The central bank, which has been trying to cultivate a reputation as guardian of the rouble, succeeded in stabilising the currency yesterday. In turnover of \$313m – twice the previous record trading level in Moscow's currency market – the rouble rose slightly on the day to end 10 roubles higher at 2,161 roubles to the US dollar.

Over the past month, however, the rouble has fallen 6 per cent.

Economists were divided about the merits of the interest rate cuts. Some suggested that the cut in the refinancing rate – the seventh this year – simply brought it into line with other interest rates. "This does not represent a

Continued on Page 12

Improved earnings signal Swedish banking recovery

By Hugh Carnegy in Stockholm

A sharp fall in the loan losses which threatened to cripple Sweden's banking system 18 months ago, has helped two leading commercial banks, Skandinaviska Enskilda Banken and Svenska Handelsbanken, report a strong improvement in first-half earnings.

Handelsbanken, the only bank to survive the crisis without appealing for state aid, announced a threefold rise in operating profits, to SKr2.3bn (\$305m) from a surplus of SKr768m last time, as loan losses tumbled 60 per cent from SKr3.63bn to SKr1.46bn.

At SE-Banken, which a year ago dropped an application for state assistance as its performance recovered, the swing was even larger. It posted a profit of SKr2.22bn after a loss in the first half last year of SKr298m. Its loan losses, at SKr2.95bn, were 43 per cent lower than the SKr5.15bn in the same period last year.

The figures were further evidence that economic recovery and lower interest rates, compared to 1992 and early 1993 when the crisis hit, have enabled the banks to overcome much of the damage done to their loan books by over-exposure to overheated property markets.

Handelsbanken said its total of problem loans after provisions had fallen to SKr7.95bn from SKr13.25bn a year ago, and now accounted for 2.9 per cent of lending volume, compared to 4.4 per cent. SE-Banken's problem loans after provisions totalled SKr10.69bn, down from SKr22.53bn a year ago. They accounted for 4 per cent of all loans, compared to 6.9 per cent.

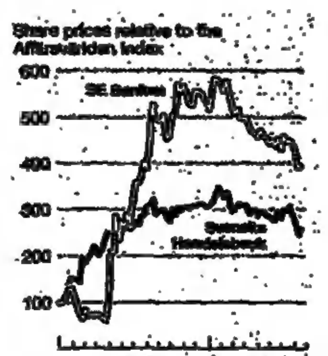
Although the worst of the loan-loss flood has been stemmed, Handelsbanken stressed the level of credit losses – in its case about 1 per cent of annual lending – was still above "normal" levels of around 0.5 per cent. The level at SE-Banken was 1.97 per cent.

Meanwhile, both banks reported a weaker underlying performance for the period, as net interest income was hit by low lending volumes, narrow margins and lower returns from bond trading. Net interest income at Handelsbanken was down 15 per cent at SKr4.29bn, compared to SKr5.03bn. Despite a 13 per cent rise in commission income to SKr1.5bn, the profit before loan losses fell 14 per cent from SKr4.39bn to SKr3.75bn.

Profits before credit losses were up 7 per cent at SE-Banken, to SKr5.18bn from SKr4.85bn. However, the result was distorted by gains from disposals, which raised non-interest and non-commission income to SKr1.87bn from SKr736m. Net interest income fell 7 per cent to SKr4.26bn from SKr4.58bn, and commission income slipped to SKr3bn from SKr3.28bn.

Handelsbanken said rapid growth in its Swedish kronor surplus liquidity, stemming from the low loan volumes, had led to a big rise in its holdings of government securities and bonds.

Share prices relative to the Affärsvärlden index



Source: Datastream

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LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Chernomyrdin 'to expose' army graft

By Chrystia Freeland in Moscow

Russian prime minister Viktor Chernomyrdin is preparing an all-out attack on corruption in the armed forces, Sevodnya, a leading Moscow daily, reported today.

The newspaper alleges that army generals, who are appealing to the government for more funds and warning that the military may be unable to pay soldiers' salaries in the autumn, are siphoning off money from the armed forces' budget.

Citing unnamed sources close to Mr Chernomyrdin, Sevodnya claims that the prime minister, who is struggling to resolve Russia's mounting debt crisis without triggering a new round of inflation, plans to expose and oust corrupt senior generals.

The newspaper's story, which reporters say was leaked by high-ranking military officials, alleges that generals in the armed forces' Central Budget and Financial Administration are profiting by earning interest from military funds which they claim have been lost in Russia's labyrinthine financial system. The funds are eventually found and returned to the military treasury, but not before serious delays in the payment of the armed forces' bills have occurred.

This allegation comes in the wake of government claims last week that the payments' crisis in other sectors of the Russian economy is in part due to corrupt factory directors and suggests that the government is looking for culprits on whom to pin the blame for the debt mountain.

The latest controversy comes at a time when the Russian military is already being shaken by another, more public, crisis. Russia's high command is trying to send the outspoken and popular officer, General Alexander Lebed, from his power base in the 14th army in Moldova to command Russian troops in war-torn Tajikistan, on the Afghan border.

But General Lebed, who resisted the defense ministry's efforts to remove him from his post and disband the 14th army earlier this month, is proving difficult to unseat. Colonel Mikhail Bergman, a 14th army officer who is the general's closest confidant, said that General Lebed has refused to go to Tajikistan.

"They are trying to push him [General Lebed] away to the periphery," Colonel Bergman said. "They are sending him under fire and hoping that maybe he will die."

Colonel Bergman said that if General Lebed were to be removed from his command of the 14th army for rejecting his new orders, "we officers and soldiers of the 14th army will form partisan brigades".

Together with the corruption allegations, whose high-level military sources suggest an internal effort to undermine General Pavel Grachev, the minister of defence, General Lebed's recalcitrance indicates growing rifts within the ministry which was once the pride of the Soviet Union. General Lebed, whose calls for the imposition of a military dictatorship and scathing denunciation of Russia's government has made him the darling of the officer corps, could become a locus for disaffected soldiers.

Colonel Bergman is unstinting in his praise of the young general, whom he describes as "a second Kutuzov", in a reference to the military leader who brought Russia victory in the Napoleonic wars. Colonel Bergman describes General Lebed as "twice as strong as Arnold Schwarzenegger with a memory so powerful he need never commit anything to paper".

France to take firm line on spending

By John Ridding in Paris.

France's 1995 budget will give priority to cutting public sector deficits and reducing social security charges, Mr Nicolas Sarkozy, budget minister, said yesterday.

Mr Sarkozy, who is aiming to reduce the budget deficit to FFr275bn (£33.6bn) from a targeted FFr300bn this year, added that income taxes would only be lowered if deficit targets were not jeopardised.

He took a tough line on reducing expenditure to prevent a rise in interest rates and support France's economic recovery. "Today, growth is there, but we must consolidate. To do that, we must avoid an increase in interest rates by controlling indebtedness and reducing the deficit," he said.

French long-term interest rates have already risen by more than 2 percentage points this year, partly because of the turmoil in international bond markets.

The strong performance of the German economy, which has raised concerns about the Bundesbank's willingness to reduce interest rates further, has also prompted economists to question the scope for cuts in France's short-term borrowing costs.

Mr Sarkozy is due to present his budget proposals at the end of September and is seeking to reinforce an impression of fiscal discipline ahead of next spring's presidential elections.

Said one economist at a French merchant bank: "The government is anxious to demonstrate its credibility. That means talking tough and sticking to their targets."

The minister played down the significance of a fall in manufacturing production in June, claiming that the underlying trend had shown steady improvement. The fact that 92,000 jobs had been created since the beginning of the year demonstrated that the government's policy was yielding results.

Next year's budget plan is believed to based on 3 per cent growth in gross domestic product, compared with 2 per cent this year. Economics ministry officials declined to comment on the growth projections, but said the economy had recovered more quickly than expected this year.

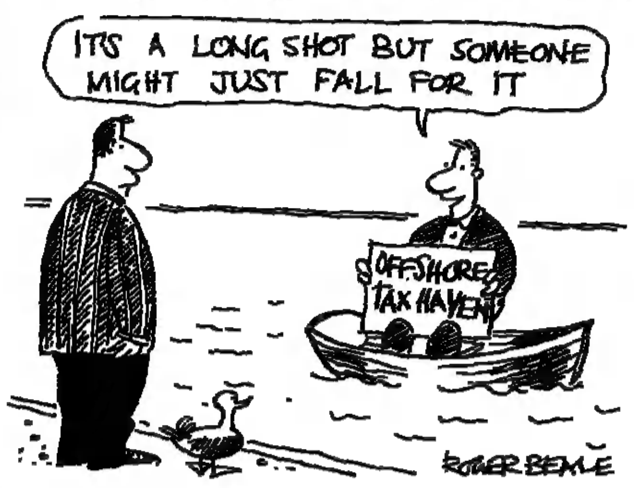
Figures released yesterday revealed a trade surplus of FFr6.25bn in June, following a revised surplus of FFr7.6bn in May. This takes the total surplus for the first half of the year to FFr37.4bn.

● France's Socialist party, banking on worsening rivalries within the ruling centre-right, may delay choosing a presidential candidate until next year, Mr Henri Emmanuelli, party leader, told Le Monde newspaper yesterday. The presidential election is due next April.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.
FRANCE: Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.
DENMARK: Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

Tidal wave of roubles inundates tiny Caucasus 'offshore zone'

Russian companies are queueing to enter, writes **Chrystia Freeland**



Over the past few weeks television screens across Russia have been flooded with a shadowy image of a group of weary businessmen discussing their difficult encounters with Russia's demanding taxman. Then a door flies open and light streams into the room. "Your tax problems are over," a reassuring voice croons. "Register your company in the republic of Ingushetia and you will be freed from taxes."

At a time when Russia's airwaves are crowded with the mellifluous but empty promises of dream merchants, this remarkable offer is actually genuine.

A presidential decree which came into force on July 1 has given the republic of Ingushetia, a small region in the Caucasus next door to war-torn Chechnya, the right to become an "ofshornaya zona", the newly coined Russian term for offshore tax haven. Only fully privately-owned companies may register in the offshore zone, but for those who do the benefits are tremendous: companies legally registered there pay no local or regional taxes, only 20 per cent of federal taxes and just half of regular import and export tariffs.

These benefits have not been lost on Russian businessmen, who are making their way in droves to a group of gleaming white marble buildings set in a grove of fir trees on the outskirts of Moscow. These are the booming headquarters of the Bin Financial Corporation, the sole company empowered by the Ingush government to register companies in the offshore zone.

Sitting on a soft leather sofa beneath pink chandeliers, Mr Mikhail Gutseriev, the 36-year-old president of Bin and architect of the offshore scheme, cannot quite believe his luck. He came up with the idea two years ago when, in what has become standard practice for Russian businessmen, he set up an offshore company in Cyprus.

"I thought to myself, why should these offshore zones, where me and my friends were putting all of our money, exist only abroad?" said Mr Gutseriev, an ethnic Ingush who fled the embattled Caucasus two years ago to make his fortune in Moscow. "I thought, why not create one here in Russia?"

A presidential decree giving Ingushetia the right to become an "ofshornaya zona" has proved a colossal bonanza

For Russia's leaders, already facing a huge shortage of revenue and struggling to prevent capital flight, making it simple and legal to avoid taxes seems incredible. However, permitting the Ingush republic to establish itself as an offshore tax haven presents a clear political advantage for the Kremlin. Ethnically related to the Chechens, whose successful and stubborn assertion of independence over the past two years has been a thorn in the Russia's side, Ingushetia has become one of Moscow's scarce allies in the unstable Caucasus region.

"[Russian President] Yeltsin and [Russian Prime Minister] Chernomyrdin saw that this off-shore zone could help to stabilise the Caucasus," Mr Gutseriev explains. "Its time for everyone there to stop running around with machine-guns and start running around with money."

This principle seems to have been taken to heart by the Russian and foreign companies beating a trail to Bin offices in Moscow and several other cities in Russia. "The demand is absolutely unlimited," Mr Gutseriev claims. "We get between 500 and 600 phone calls a day from all parts of Russia." The zone is bringing in about $100,000 a day just from the $4,000 registration fee companies must pay.

However, that registration price – paid so far by more than 1,200 companies, half of them in Moscow – is just the first part of the financial windfall for the Ingush republic and Mr Gutseriev's company. Those federal taxes and customs duties paid by companies in the offshore zone do not go into the Kremlin's coffers; they belong entirely to the tiny, impoverished Ingushetia.

Over the next two years, Mr Gutseriev estimates that registration fees and taxes will produce at least $1bn. About 10 per cent of that goes to Bin, which is also prospering thanks to another provision of the scheme. To benefit from the offshore zone's tax breaks, registered companies must do all their banking through the Bin bank, which is part of the Bin group of companies.

This clause is bringing in so much money that Mr Gutseriev can hardly contain himself. Racing over to his desk, he produces the bank's daily balance sheet. "Rbs23bn [£6.9m at the market rate] flowed into our accounts today alone," he says. "And its like this every single day. We have so much money I don't know what to do with it any more. Perhaps you have some investment suggestions?"

Mr Gutseriev's main concern is that Bin and the Ingush offshore zone will become victims of their own success. His voluble account of his scheme's progress is occasionally interrupted as he reminds himself: "Maybe I shouldn't be telling you all of this, because if people discover how much money we are making we will be in mortal danger from the mafia."

His other fear is that, as more and more companies register, other regions will lobby for the same privilege, and political pressure will mount to stem the flow of money out of the federal treasury. "It's absurd," commented one western businessman. "If this is allowed to continue, pretty soon all of the Russian economy will be registered offshore and no one will formally be left doing business in Russia itself."

Turkish wrangling delays reform

By John Murray Brown in Istanbul

Turkey's domestic political wrangling looks set to delay the release of a much needed World Bank structural adjustment credit, raising doubts over whether the government can meet its longer term economic recovery targets.

For much of the normally quiet summer months, the conservative-led coalition of Mrs Tansu Çiller has been taken up with a series of crises, with media attacks on the prime minister's property acquisitions in the US, legal setbacks to the privatisation effort, and a controversial cabinet reshuffle which has raised questions over the government's durability.

With such a hectic agenda, Mrs Çiller has still not responded to the World Bank's policy recommendations, submitted in mid July, making it increasingly unlikely that the Bank's board will be able to approve release of a structural adjustment credit in October as planned.

The Bank's recommendations cover privatisation, public sector enterprise reform, social security, tax and farm subsidy reform as well as an overhaul of the entire incentive system. The Bank credit was expected to be in the range of $250m-$500m, released in two roughly equal tranches.

One explanation for the government's failure to respond to the World Bank is simply official complacency, following what the Bank acknowledges as the early success in implementing the April 5 stabilisation measures.

However economists point out that many of the steps taken – tax charges on the wealthy, fuel tax surcharges – are one-off measures, rather than sustainable sources of revenue for the government. "Without some movement on the adjustment issues, Turkey may find itself in a sticky situation next year," warned one western economist yesterday.

Adjustment measures are central to the revenue targets announced by Mrs Çiller. Sales of state companies are earmarked to raise $5.2bn by the end of 1994, half of which is destined to help close the deficit which is targeted to be halved to 9 per cent of GNP.

To date, the only significant sell-off is a 21 per cent minority stake in the privately managed Tofas car company, a joint venture with Fiat of Italy and a local producer.

Rulings from the constitutional court, Turkey's supreme legal authority, currently block the government's use of decree powers to speed up privatisation. Last week the court passed an injunction to freeze the legislation passed by parliament to sell off the telecommunications monopoly PTT.

With GNP growth in 1994 expected to slow down more sharply than anticipated, economists point out that tax collection is also likely to drop, making it doubly vital to take the adjustment measures.

Ukraine leader's decree falls far short of complete liberalisation

Kuchma acts on exchange rate

By Matthew Kaminski and Jill Barshay in Kiev

President Leonid Kuchma yesterday sent a mixed message about Ukraine's prospects for economic reform with a decree intended to unify the country's currency exchange rates.

The decree sets out, without a specific timetable, to close the yawning gap between the official state-set exchange rate for the karbovanets and the open market rate. It proposes to do so through a complicated mathematical formula based on Ukraine's balance of payments, monetary emissions and inflation rate.

But, as the first litmus test of the new administration's resolve to bring Ukraine's chaotic economy to heel, the decree falls far short of complete liberalisation of a single free-floating rate, advocated by the International Monetary Fund. It does not specifying when the rates will be unified or even guarantee this will happen.

At a press conference, Mr Kuchma's economic advisers, who said the decree was a compromise with advocates of a fixed rate, hoped that the karbovanets would be free-floating by the end of the year. They justified the gradualist approach by saying it would avoid an immediate inflation shock and give the government an opportunity to build up its hard currency reserves to support a free floating currency.

Mr Kuchma's economic team intends to abandon its mathematical approach to the exchange rate in favour of market forces once a stabilisation fund, provided by the IMF, is available.

The decree also reopens the inter-bank currency exchange, blamed and closed last November for stoking inflation, and lowers a punitive tax on hard currency revenues.

However, Mr Kuchma, who still has time to set a reformist agenda in the honeymoon period following his election earlier this summer, may not completely satisfy an IMF mission now in Kiev, working on a reform programme to free a $700m initial loan. The loan would be the first step to releasing a $4bn package promised at last month's Naples economic summit.

Currency liberalisation is seen as critical by western economists because the current restrictions are a principal contributor to market distortions and a massive capital flight.

The karbovanets, an unstable currency which replaced the Russian rouble in 1992, yesterday traded for around 46,800 to the dollar on the street; the official rate, used by privileged importers and less fortunate exporters, was set this week at 20,500:1.

With the currency losing its value daily, trying to unify the rates "is a little like a dog chasing his tail", said a western economist, particularly now that Ukrainians will hold on to their hard currency if the official state rate is set to go up.

The step, long-awaited in Kiev, does tip a hat to reform by reducing from 50 per cent to 30 per cent the share of hard currency revenues that companies must exchange at the lower official rate. This causes capital flight, estimated at $1bn per month, and creates a shadow economy.

Big Mac chokes on Kassel takeaway tax

By Michael Lindemann in Bonn

It's been a difficult summer in Germany. First, 80kph speed limits were introduced temporarily on some of the country's speed-ridden Autobahns. Now, the price of the beloved Bratwurst could rise following a court decision allowing new taxes on fast food packaging.

"Here's comes the tax on Currywurst and Big Macs!" warned Bild Zeitung, Germany's biggest circulation newspaper. How exactly consumers will react is a matter for speculation. So far, only Kassel in central Germany is levying the tax which it introduced in July 1992, charging 50 pfennig on each synthetic plate and 20 pfennig on disposable cups.

Two McDonalds restaurants and two makers of drinks dispensers promptly sued the Kassel authorities but last Friday the federal administrative court swept aside any doubts that the tax was legal.

Normally sleepy Kassel has rarely hit the headlines so dramatically. The town hall switchboard is jammed and Mr Hans-Jürgen Schweinsberg, the municipal spokesman, says at least 750 people have rung asking for details about the new charge.

McDonalds, which runs 535 restaurants in Germany, has vowed meanwhile that it will use every legal means to fight what its spokesman called "this absurd tax" – including taking the case to the European Court. It warned that prices of some cheaper items could rise by a quarter and said it was doing everything possible to reduce waste through a corporate environmental programme which has been running since 1987. Since then napkins have shrunk by 18 per cent – saving 204 tonnes of paper annually – and hamburgers are now wrapped in paper which is 72 per cent recyclable.

Kassel officials, who dreamt up the tax to reduce the city's annual 500m tonne rubbish mountain, are not impressed and claim it works better than Germany's complicated Duales System, a nationwide network which guarantees to recycle all packages and materials which carry the "Green Spot".

Says Mr Schweinsberg: "The Duales System is not much help if you want to reduce the amount of waste. All it does is provide you with a method to recycle it."

Kassel claims morover that bad habits are changing. Many snack stands now serve chips in ice cream cones and give customers their drinks in glasses for which they charge a deposit. Milk, often served in throw-away plastic containers, is now available in small jugs.

Last year, the tax raised DM30,000 (£12,600) for Kassel. So far, this year, the figure is only DM5,000 – the best evidence, according to Mr Schweinsberg, that the mountain of fast food packaging is getting smaller.

Another bonus for the town authorities is that the four companies which brought the action now owe about DM1m in unpaid back taxes.

EUROPE IN BRIEF

Russia to sign missile pact with China

Russia and China, for decades rivals for the leadership of the Communist world, yesterday took another step towards reconciliation when Russian officials announced that the two states will sign in September an agreement not to target strategic missiles at one another. Mr Mikhail Bely, a Russian foreign ministry official, said the missile agreement would be one of a number of deals to be concluded during a ground-breaking visit of Chinese President Jiang Zemin to Moscow next month. The agreement echoes similar documents Russia has signed with the United States and the UK and suggests that the era when nuclear superpowers matched their arsenals against one another is drawing to a close. The emerging Sino-Russian detente points to a lessening of military and political tensions between the two states, which reached a peak with border clashes in the 1960s. But economic competition between the two countries, particularly in the booming Pacific Rim region where Russia has restricted the entry of Chinese traders, is intensifying. *Chrystia Freeland, Moscow.*

Vodka book author loses job

A new book detailing the phenomenal marketing success of Absolut vodka has cost its author his job at a prestigious economics institute. The book, due to be published in October, is an expanded version of a research project which was commissioned by the drinks' company Vin and Sprit. The book is said to contain information the company considers confidential and it credits Absolut's huge popularity to advertising firms in the US, rather than to company officials in Sweden. After the author, Mr Carl Hamilton (left), insisted on publishing the study despite company protests, his funding was halted at Stockholm's Institute of International Business, and his research position was withdrawn. The institute said that Mr Hamilton's publication of the book had breached the school's standing guarantee of confidentiality in return for access. *AP, Stockholm.*

Probe into Sarno pollution

Magistrates looking into one of Italy's worst ecological disasters have put 110 people under investigation and shut down 48 firms, police said yesterday. They said the rubbish-lined river Sarno, which empties into the Gulf of Naples just north of the Amalfi coast resort area, has for decades been the dumping ground for raw sewage and untreated industrial waste. Police said some 1,200 tonnes of sea-bound waste had been filtered out since the investigation began two months ago and all the towns and companies inspected in the area dumped their waste directly into the river. *Reuter, Salerno*

Odessa oil terminal in doubt

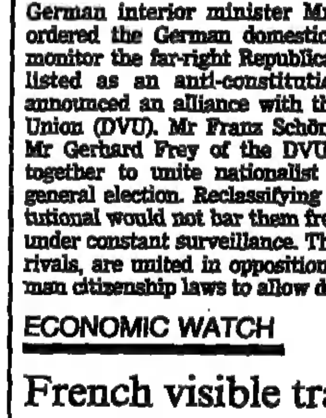
A top adviser to Ukrainian President Leonid Kuchma said yesterday that an ambitious project to build an oil terminal near the Black Sea port of Odessa should be re-examined and at the very least scaled down. The terminal is aimed at reducing Ukraine's dependence on Russian oil imports, possibly by importing from the Middle East. Plans call for an annual capacity of 40m tonnes, which is equivalent to Ukraine's needs. "The question of building an oil terminal must be re-examined. It is a shame this was approached not from an economic standpoint but rather under the pressure of political considerations," Mr Kuznetsov said. Construction of the terminal was ordered by Ukraine's former president, Mr Leonid Kravchuk. Work was halted last month by a court order initiated by local authorities who said the land for the project had been acquired illegally. They also alleged the project would cause environmental problems. *Reuter, Kiev*

Republicans to be investigated

German interior minister Mr Manfred Kanther yesterday ordered the German domestic security agency, the BfV, to monitor the far-right Republicans party to see if it should be listed as an anti-constitutional group, after its leader announced an alliance with the nationalist German People's Union (DVU). Mr Franz Schönhuber of the Republicans and Mr Gerhard Frey of the DVU announced they would work together to unite nationalist forces before the October 16 general election. Reclassifying the Republicans as anti-constitutional would not bar them from elections, but they would be under constant surveillance. The two party leaders, previously rivals, are united in opposition to proposals to liberalise German citizenship laws to allow dual nationality. *Reuter, Bonn*

ECONOMIC WATCH

French visible trade surplus dips



France's visible trade surplus dipped to FFr6.25bn (£750m) in June from a revised FFr7.62bn in May, according to seasonally adjusted data released by the Customs Office. A sectoral breakdown of the adjusted trade data revealed that gains in food and energy trade offset a decline in the industrial and military surplus to FFr3.83bn from FFr6.37bn. The food surplus advanced to FFr3.67bn from FFr2.78bn, while the energy deficit narrowed to FFr5.81bn from FFr6.24bn. Figures on trade with France's leading trading partners showed that its surplus with the other 11 members of the European Union fell to FFr1.19bn from FFr2.33bn, although the surplus with Germany widened substantially to FFr901m from FFr188m. France's deficit with Japan widened slightly to FFr2.16bn from FFr2.13bn, while the deficit with the US narrowed to FFr1.38bn from FFr1.43bn. Also yesterday the national statistics office INSEE reported that French consumer prices were unchanged in July from June, for a year-on-year rise of 1.7 per cent. *Reuter, AP-DJ.*

■ The annual rate of inflation in the European Union fell 2 percentage points year on year to a seven-year low of 3 per cent in July, the European Commission's statistics office reported. It was the first drop in the annual rate in five months, and takes the figure to the lowest point since March 1987, Eurostat said.

■ Consumer prices in Geneva rose by 0.3 per cent this year to stand 1.0 per cent higher than a year ago, the city's statistics office said. In July, the city's consumer price index rose 0.2 per cent for a 1.3 per cent year-on-year gain.

■ Hungary's industrial output rose 8 per cent by volume in the first half of 1994 compared with the first half of 1993, the Central Statistical Office reported. It said production fell a seasonally adjusted 2.7 per cent in June from May.

■ Austria's industry output in June rose by 6 per cent on a year-on-year basis, according to the Central Statistics Office.

■ Net Spanish tourism receipts rose 30 per cent in the first six months of 1994, against the same period last year, to stand at Ptas 959.6bn (£4.8bn), the tourism secretariat said.

Japan minister on attack over short-term jobs

By Gordon Cramb in Tokyo

A conservative cabinet member in Japan's new coalition government yesterday fired insults at the leader of the employers' federation in an unusually vitriolic debate over the future of lifetime employment in Japanese industry.

Mr Shizuka Kamei, transport minister, backed away from a battle with the country's airlines over hiring policies, rescinding a ruling which had halted plans by the carriers to recruit most new cabin crew on short-term contracts. In a televised press conference, he acknowledged he had no powers to intervene.

He added, however, that the defence of the scheme by Mr Takeshi Nagano, president of the Nikkeiren, the federation of employers' associations, suggested Mr Nagano cared little for job security.

The minister claimed Mr Nagano epitomised "the thinking of 19th-century management which doesn't give a damn about safety, pollution, security of jobs or the rights of workers". Mr Kamei alleged: "His top priority is profits and that gives me great concern".

At a Nikkeiren seminar last week, Mr Nagano expressed disquiet over prospects for economic reform under the new government, saying that for Japan to emerge from its longest post-war recession, wages and prices must be reduced.

While agreeing that employment security should remain a prime concern of Japanese industry, Mr Nagano noted that prospects for women job-seekers were poor and the JAL plan to recruit contract stewardesses would benefit them as well as the company. He implied that Mr Kamei had an axe of his own to grind.

Mr Kamei comes from the right wing of the Liberal Democratic party, conservative partner in the three-party coalition which took power at the end of June. Many in the LDP regard Japan's taboo on lay-offs as essential to corporate loyalty and a cornerstone of the post-war economic success which took place under its rule. Job security is among the areas of common ground in the LDP's alliance with the left-wing Social Democratic party of Mr Tomiichi Murayama, the prime minister.

Japan Airlines is seeking to cut costs by hiring an initial 100 stewardesses on hourly pay which would be equivalent to perhaps a third of that enjoyed by its salaried flight attendants.

JAL received 2,500 applications but could not proceed because Mr Kamei, invoking worries about how the two classes of employee would co-operate in the event of an in-flight emergency, threatened to decline new route applications if the plan went ahead.

Mr Nagano did not respond yesterday to Mr Kamei's outburst. The employers' leader is chairman of Mitsubishi Materials, a producer of metal products, electronics and cement which fell into loss last year. The pollution barb will jog memories of a Texas copper smelter project his company shelved after problems with US environmental regulations.

JAL could not say last night if it would revive its plan, but it needs new cabin crew to service domestic flights from Kansai Airport, opening near Osaka next month. JAL has been shedding staff through voluntary redundancy.

Most Japanese companies believe they have made the adjustments to their workforces necessary to cope with the high yen, according to a survey released by the labour ministry yesterday, Gordon Cramb writes.

Of about 1,000 employers it polled in mid-July, only 4 per cent said they had taken steps to shed jobs since the currency began its renewed climb in June. A further 6 per cent were planning such measures.

A previous survey conducted last August, when the yen first touched the Y100 level against the US dollar, showed 10 per cent of companies had taken recent action and a further 10 per cent intended to do so if the exchange rate stayed at current levels.

New chiefs are named for Nigeria's army and navy

Abacha seeks to bolster hard line

By Paul Adams in Lagos

Nigeria's head of state, Gen Sani Abacha, has restructured the military high command following his crackdown on civilian opposition last week that widened the ethnic divide between the north and south-west of the country and exposed divisions within the armed forces.

The government announced new chiefs of the army and navy on Monday night in an effort to bolster Gen Abacha's hard line against jailed opposition leader Mr Moshood Abiola and the banned leaders of the striking oil workers' unions. (They were reinstated until August 31 by a federal high court judge yesterday who said he would hear an appeal against their dismissal on that date.)

The changes are likely to be followed shortly by a reshuffle in the civilian cabinet.

Maj Gen Mohammed Chris Alli, a Christian from the Middle Belt of Nigeria and reputed to be a political moderate, has been replaced by Brig Gen Alwali Kazir, formerly commander of a northern army division. Rear Admiral Allision Madueke, an Ibo who fought for the rebel Biafrans in the 1967 civil war, is succeeded as head of the navy by Commodore Mike Akhigbe, a former military governor of Lagos state.

There is strong speculation Gen Abacha will replace Lt Gen Oladipo Diya as chief of general staff.

Along with one third of the armed forces, Gen Diya like Mr Abiola is a member of the southern Yoruba tribe and was expected to press hard for the regime to accommodate the different interest groups in Nigeria and move quickly towards democratic rule. His position as number two has been circumvented by Mr Aminu Saleh, secretary to the government, who is seen as an advocate of political domination by the north.

After 24 years of army rule, the Nigerian armed forces' main role is political rather than military and although most troops and technically skilled personnel are drawn from from the south and the Middle Belt, a minority of northern officers remain a dominant influence in the army and in the key intelligence services.

The government has taken a tough political stand against the economically powerful south-west: Lagos is the main port, the centre of banking and commerce and the base for more than half of manufacturing industry.

The army has a nominal strength of 62,000. There are four army divisions in the west, east and north of Nigeria which are at operational strength, and a battalion of presidential guards in Abuja. Military analysts say that most other units are under-strength, under-equipped and under-trained. Morale is low and repeated late pay has been partly alleviated by the military's lucrative share in fuel distribution since the oil workers' six-week strike left most filling stations dry.

The hardened stance by the Abacha government appears to rule out any dialogue or compromise with Mr Abiola and those who support his claim to form a civilian government. In a speech last week, the head of state said would not drop the charges of treason against Mr Abiola, who faces trial again in Abuja on August 29.

Maj Gen Alli and Rear Admiral Madueke were key members of the military junta which helped Gen Abacha to oust interim civilian president Ernest Shonekan last November and force out of power the remnants of ex-president Ibrahim Babangida's closest allies remaining in the armed forces.

After the annulment of Mr Abiola's victory in last June's presidential poll, then president Babangida appointed Gen Alli as head of a committee of inquiry into the issue. The committee reported that the best way out of the political impasse was to declare and uphold the results of the June elections.

This view had widespread support among the armed forces, most whom voted for Mr Abiola, the Yoruba candidate from the south-west, even in the presidential brigade of guards in Abuja, according to military sources.

As Gen Abacha acknowledged, there is still a ground-swell of support for democracy in the armed forces.

Abacha: may move his chief of staff

S Africa cautious on scrapping currency controls

By Mark Suzman in Johannesburg

Liberalisation of South Africa's exchange control regulations will not be possible until the country gets an international credit rating, Mr Chris Stals, governor of the Reserve Bank, said yesterday.

Delivering his annual report in Pretoria, Mr Stals said it was clear the existing system would have to be scrapped to ensure sustainable, long-term growth for the country.

"In the long run and in the interest of future economic growth, South Africa must liberalise its foreign exchange market and revert to a system of unitary floating exchange rates," he said.

However, Mr Stals noted that in other countries exchange controls were abolished only as part of a macro-economic restructuring programme, often with the help of international institutions, and that at the very least South Africa must wait until it had full access to international capital markets.

South Africa's two-tier currency comprises the commercial rand, used for all regular balance of payments transactions, and the financial rand, used by foreigners as a discounted investment currency. Exchange restrictions have been in place since the 1960s.

"The abolition of exchange controls in isolation without any supportive measures may cause serious disruptions in the initial phase of the transition and force the reintroduction of old controls, or even the application of other new direct controls over markets, all of which may be more damaging to the economy," he said.

South Africa has appointed Goldman Sachs, the US investment bank, to help it get an international credit rating from the main agencies, a process expected to be completed by October.

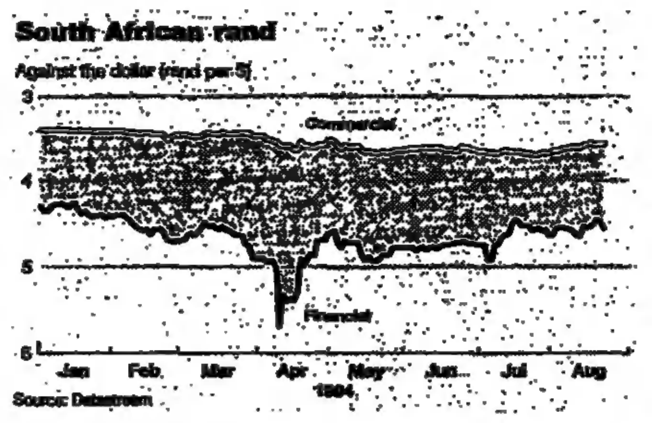
In addition, Mr Stals reiterated his previously stated preconditions for the scrapping of the financial rand, including a narrowing of the differential between the two exchange rates and a rise in foreign reserves, currently able to cover only five weeks' imports.

In recent months, continued speculation over demise of the investment currency has led to severe gyrations in its exchange rate, while fears over the inflationary pressures such a move might unleash have contributed to soaring government bond rates.

Responding to the recent upturn in the inflation rate, which rose in June to 7.5 per cent from a 21-year low of 7.1 per cent in April, Mr Stals signalled that the Reserve Bank would probably have to tighten monetary policy to help lower inflationary expectations and cautioned the new government against trying to increase spending.

"Many of us have a desire to force-feed the economy beyond its actual potential and to exert pressure on the monetary system to accommodate these desires by simply creating more money," he warned.

Mr Stals also said that while he was confident the country's capital account would continue to improve, it would be "naive" to believe that huge amounts of capital would flow into the country even if exchange controls were lifted. Social and political stability, economic viability, sound fiscal and monetary policies and productivity improvements were of even greater importance for most foreign investors.



Pakistan 'has atomic bomb'

By Farhan Bokhari in Islamabad

Mr Nawaz Sharif, the Pakistani opposition leader, yesterday unleashed what could be the beginning of another round of controversy over the country's secret nuclear programme.

Addressing a public rally in the Pakistan-controlled state of Kashmir, Mr Sharif announced that the country possessed an atomic bomb, according to the Pakistan Press International news agency.

Some officials said that Mr Sharif's statement could be meant to embarrass the government on both home and foreign policy fronts. In recent years, Islamabad's relations with a number of western countries, especially the US, have been strained over the nuclear issue.

Washington cut off its large economic aid and weapon supply programme to Pakistan in 1990, following charges that Islamabad had acquired the capability to produce nuclear weapons. A \$1.4bn deal involving the sale of up to 71 F-16 fighter aircraft is still on hold, after the Bush administration stopped the delivery under pressure from the non-proliferation lobby.

Pakistan has refused to open its nuclear facilities for international inspection on the grounds that any such move must also involve India, its neighbour and arch rival.

Islamabad concedes that it has a nuclear weapons programme but insists that its only for "peaceful purposes".

"We have the technical capability with which we could develop nuclear weapons but we have taken a sovereign decision not to do so," said a foreign office spokesman in Islamabad, last night, responding to questions about Mr Sharif's claim.

Other officials said Mr Sharif's statement could be linked to an intensifying government-opposition rift. He plans to begin a nationwide campaign by train next month in an effort to mobilise support for the government's removal.

He blamed Ms Benazir Bhutto's government for failing to seek international support for its case on the Kashmir conflict which has led to war between India and Pakistan on three occasions in the past 47 years. He said that a clash between the two countries could trigger a nuclear holocaust as both possessed nuclear weapons.

Women forced into wartime sex slavery by the Japanese Imperial Army demonstrate in Manila yesterday Associated Press

Philippine sex slave protest greets Japanese premier

Japanese Prime Minister Tomiichi Murayama arrived in the Philippines yesterday to be confronted by angry women demanding compensation for being used as sex slaves in the second world war, Reuter reports from Manila.

Police kept about 50 of the women, waving banners demanding "Compensation Now", more than 100 metres from the luxury Manila Hotel where Mr Murayama was staying. The women are demanding \$200,000 (£130,000) each in compensation. They were led by Ms Rosa Henson, the first Filipina to end decades of shamed silence in 1992 and tell of her experience as one of 200,000 women forced to work as prostitutes for Japanese soldiers.

Mr Roberto Romulo, the Philippine foreign minister, told reporters the comfort women issue would be discussed when Mr Murayama and President Fidel Ramos hold formal talks today. Mr Murayama is expected to repeat apologies for Japan's wartime atrocities as well as discuss economic and security issues with leaders of the Philippines, Vietnam, Malaysia and Singapore during a week-long swing through the region.

Mr Ramos will seek to boost trade with Japan and ask for an increase in official development assistance to the Philippines, which amounted in 1993 to \$721.5m. Japan, the Philippines' leading donor, recently pledged \$1.5bn in assistance for 1994. Total trade between the two countries reached \$5.8bn in 1993, up by 20 per cent from the previous year.

About 200,000 comfort women, most Koreans but also Filipinas, Chinese, Taiwanese, Indonesians and Dutch, were forcibly recruited by the Japanese army in the war to provide sex for their troops.

NEWS IN BRIEF

UN push to get Rwandans home

The UN hopes to mount its biggest-ever human rights operation in an attempt to persuade millions of Rwandan refugees to return home, Frances Williams reports from Geneva.

Despite appalling conditions in the overcrowded camps in neighbouring Zaire and elsewhere along Rwanda's borders, the 2.1m mainly Hutu refugees have so far been reluctant to go back to Rwanda for fear of reprisals from the Tutsi-dominated Rwandese Patriotic Front government.

Under a proposal by Mr René Degni-Ségui, special UN human rights rapporteur for Rwanda, which has been accepted in principle by the RPF government, up to 200 human rights monitors would be deployed throughout Rwanda to ensure there were no such reprisals, and to help investigate the massacres of some 500,000 civilians, mainly Tutsi, by supporters of the former Hutu-led administration.

Mr Boutros Boutros Ghali, UN secretary-general, has asked the committee of legal experts charged with collecting evidence on violations of international humanitarian law to report their findings by the end of October. This could be followed by a UN decision to set up an international tribunal to try the guilty.

In his second report on human rights violations in Rwanda released yesterday, Mr Degni-Ségui expressed concern that Radio Télévision Libre des Mille Collines, operated by the former Rwandan government, was still urging Hutus to leave Rwanda and was threatening reprisals against those who returned. Only about 100,000 refugees have so far gone back. Apart from those outside Rwanda, 1m-2m people remain displaced within the country.

Sony to invest in India

Sony, the Japanese consumer electronics group, is planning a \$10m investment in India to market and make colour TVs, broadcasting equipment, software and other high-tech products, Stefan Wagstyl reports from New Delhi.

The company, which secured approval for its proposals this week from the Indian government, intends to start local production of television tubes and other components over the next three years.

Sony has yet to announce details of its investment programme, which is modest in an industry in which a single large factory can cost \$100m and more. But Sony's decision will be a boost for India's economic liberalisation policies.

The relevant government committee has approved 65 projects which together envisage foreign investment totalling Rs5bn (£102m). Other proposed ventures include a co-operation between the state-owned Indian Telephone Industries and NKT Electronic of Denmark to make fibre optic transmission systems.

Ozone destruction continues

Destruction of the earth's protective ozone shield is continuing in both southern and northern hemispheres, according to the World Meteorological Organisation, Frances Williams reports.

The WMO says that in March this year, ozone levels over western Europe were 10-20 per cent below normal. For the winter-spring 1994 period, levels over the entire northern hemisphere averaged 2-3 per cent below seasonal long-term values. While this did not match the record ozone deficiency of 17 per cent in February and March 1993, the WMO says the cumulative ozone decline since the 1970s over the northern hemisphere is continuing.

In the Antarctic, which experienced the worst-ever ozone "hole" in autumn 1993, ozone levels also fell well below normal (for pre-ozone "hole" years) between February and April 1994.

Mandela plea on Lesotho

Lesotho's king must reinstate the democratically elected government he ousted last week, South African President Nelson Mandela said yesterday, Reuter reports from Cape Town.

King Letsie III's representatives failed to make their case to Mr Mandela and other African leaders gathered at a summit in Gaborone, Botswana. After returning from Botswana, Mr Mandela said King Letsie and Prime Minister Ntsu Mokhele would attend a meeting in South Africa tomorrow.

"We feel the government of Prime Minister Ntsu Mokhele must be reinstated and it is on this basis that we are going to have a discussion with both parties," Mr Mandela said.

Last week, Mr Mandela and President Robert Mugabe of Zimbabwe appeared to rule out military intervention in Lesotho.

King Letsie was also facing mounting pressure at home. Lesotho businesses observed the second day of a general strike to protest against the government's dissolution. Shops were closed and school children stayed away from classes.

India's airport Customs men are no longer ogres

Stefan Wagstyl finds getting through the green channel is easier, but problems remain

Three years after the start of economic liberalisation, the customs men at Delhi's international airport have done their best to adapt to deregulation.

Before, the protection of the globe's most regimented economy outside the communist world required that officials treated travellers with the greatest suspicion. Dressed in white military-style uniform, the customs men were lords of all they surveyed.

Anyone carrying a videocamera or computer had to have serial numbers indelibly written into their passport, to ensure the item was not sold in some black-market bazaar. Home-bound visitors who came to the airport without a declared item had to write a long letter of explanation and apology, and hope customs officials would read it before the flight was called.

Today, officials are prepared to take on trust visitors bearing a modest amount of luggage, though almost every bag is still X-rayed. The customs men remain suspicious of anyone carrying two or more of any high-priced piece of electronics. "This is my camera and that's my wife's," is not an explanation they like to hear. Armed with the latest price lists from Sony and Toshiba, they know the exact cost of your new portable compact disc-player, even if you seem to have forgotten.

As far as the casual visitor to India is concerned, there is no comparison with what went before. As one customs man says: "The green channel is now a mile wide".

Over at the cargo terminal change is rather less discernible. On first arriving in Delhi two years ago, innocent of the complexities of Indian bureaucracy, I went into the cargo terminal to collect a shipment of clothes. Having obtained from the airline office a vital document called a delivery order and then strolling over to the customs hall to pick up my cases, I asked a customs man where to collect the shipment. He laughed and said: "Sir, you have completed stage one of a 13-stage process".

This week, I discovered the process still consists of 13 stages, when going to collect another shipment, mainly food for my three children who pine for tuna fish and baked beans. Those who find it bizarre that anyone could go to the trouble of flying tuna fish and baked beans around the world have never lived in a closed economy.

The passage through customs takes place inside an enormous warehouse, in which travellers' possessions are stored behind metal fences. At one end there is a gate, near which are the offices of the many officials to whom the visitor must report before he can claim his baggage. In summer the building is stiflingly hot, except for the officials' glass-walled cabins which are cooled by air-conditioning to a few degrees below zero.

The International Airports Authority of India (IAAI) offers travellers a guide through the maze of desk and counters. First, obtain the delivery order, says the IAAI. Then file the baggage declaration form; obtain the location slips; obtain the shipment from IAAI staff; complete the customs inspection; return the shipment to IAAI staff; pay the duty; obtain an "out-of-charge" form from customs against a duty payment receipt; obtain a bank *challan* from the IAAI; pay the IAAI charges; obtain an IAAI gate pass; present customs-cleared documents to IAAI staff; take delivery of the shipment from IAAI; pay octroi (local transport tax).

I am still not sure what a *challan* is, as it gets buried in all the other documents one must carry around from one counter to another. The greatest importance is attached to paperwork. A wrong number on any of the documents needed to gain access to one's goods can mean long delays. The officials are not in the least irritated by the mind-numbing tedium of their work; they know perfectly well that lots of rules means lots of jobs for airport staff.

After two and a quarter hours, my shipment is delivered to me on a trolley. It is quarter to one in the afternoon and I am the first person to leave the warehouse that day. I sign one record book to acknowledge receipt, and the trolley moves forward five yards. I sign another record book and the warehouse guards lift the chain which bars the warehouse entrance. At last I have access to the tuna and baked beans.

NEWS: THE AMERICAS

Mexico's PRI to gain strong grip on Congress

By Damian Fraser in Mexico City

Mexico's ruling party is set to win large majorities in both houses of Congress after Sunday's elections, giving the incoming administration of Mr Ernesto Zedillo control over the legislature at least until the next congressional elections in 1997.

The Institutional Revolutionary party had by yesterday morning won about 49 per cent of the presidential and legislative vote, with 65 per cent of polling booths counted. With votes still to be counted in many of the PRI's rural strongholds, its final vote is expected to climb towards or above 50 per cent.

The PRI was ahead in 269 of the 300 directly elected seats in the lower chamber, the House of Deputies. Under Mexico's electoral system, the PRI will be awarded enough indirectly elected seats to raise its representation to 300 of the total 500 seats in the lower house.

The centre-right National Action party will be the second largest party in Congress.

However, the PRI's 60 per cent majority in the lower house will not be sufficient to change the constitution without support from at least one of the main opposition parties.

In the Senate the PRI was ahead of the opposition in 31 of the 32 states, including Mexico City, and behind the PAN in the state of Jalisco, with half the votes counted. The PAN was placed second in 22 states, and the leftist opposition Party of Democratic Revolution in nine. On these figures, the PRI would have 94 of the 128 Senate seats, the PAN 25, and the PRD 9.

In Chiapas, the only state which held an election for governor, the PRI was set for victory, according to the local electoral authority.

Financial markets continued to react positively to the PRI's victory, which unlike the 1988 presidential elections, has not been marred by reports of large-scale irregularities. By mid-morning yesterday the principal stock market was up by 1.45 per cent, after yesterday's gain of 1.9 per cent.

Mr Cuauhtémoc Cárdenas, presidential candidate of the PRD, has denounced the ruling party victory as illegitimate, but has yet to corroborate his claims of deliberate and widespread fraud.

Mr Cárdenas has called for a protest meeting in Mexico City's central square for this Saturday. On Monday he was joined by an estimated 15,000-20,000 supporters at a meeting denouncing the election, far fewer than his party had hoped for.

Cuban exodus to US increases

By James Harding in Miami

Record numbers of Cuban refugees continue to make their way to the US despite the ban on entry announced by the Clinton administration last Thursday.

As the Navy assigned resources to support the overstretched Coast Guard to deal with what Mr William Perry, the defence secretary, has called a "tidal wave of people", the US State Department said it did not expect the new curbs to have an impact on numbers for "some several days".

The Florida Coast Guard picked up 2,548 people on Monday, a marked rise from a week earlier when, under the former immigration policy, 282 Cuban refugees were taken to Key West for registration with the Immigration and Naturalisation Services.

Although many of the Cubans now being picked up may have left unaware of the new policy, which refuses them entry to the US and ships them back to Cuba for detainment at the US Naval Base at Guantánamo Bay, the Coast Guard has reported that many others are aware that they will be sent to detention camps.

State Department officials pointed to the introduction of an interdiction policy on Haitian refugees which took a week to 10 days to cause a fall in the numbers fleeing Haiti.

Economy set to pick up tempo

But protests are a worry, write Stephen Fidler and Damian Fraser

Mexico may be emerging from the economic doldrums in which it has been languishing for two years. If opposition protests against the conduct of Sunday's election fizzle out or at least do not degenerate into violence, many private economists are likely to increase the forecasts for growth which they scaled down amid the political uncertainty of the first half of the year.

"If we can avoid a post-electoral conflict, things will really look up, especially on the investment side," said Mr Jonathan Heath, head of Macro Asesoria Economica, a Mexico City economic consultancy.

Already this year, growth has been unexpectedly high. In the second quarter, growth was 3.8 per cent compared with the same period of last year, leading to a first-half economic expansion of 2.2 per cent. Unusually for a Mexican government which has previously kept a tight rein on the budget, the motor for growth has been government spending, up 27 per cent in the first half.

According to Mr Rogelio Ramirez de la O, who runs the Ecanal economic analysis company, the government's new agricultural policy – which aims to replace guaranteed prices with direct income support to small farmers – injected $3.8bn into the economy between February and June, alone equivalent to more than 1 per cent of GDP.

While for seasonal reasons, the public sector budget remained in surplus in the first half of the year, many expect a deficit by the year-end rather than the balance forecast by the government. Some analysts think this means that the ruling party's successful presidential candidate, Mr Ernesto Zedillo – who has promised a 25 per cent increase in public investment next year – may have to begin office in December by checking the momentum of government spending.

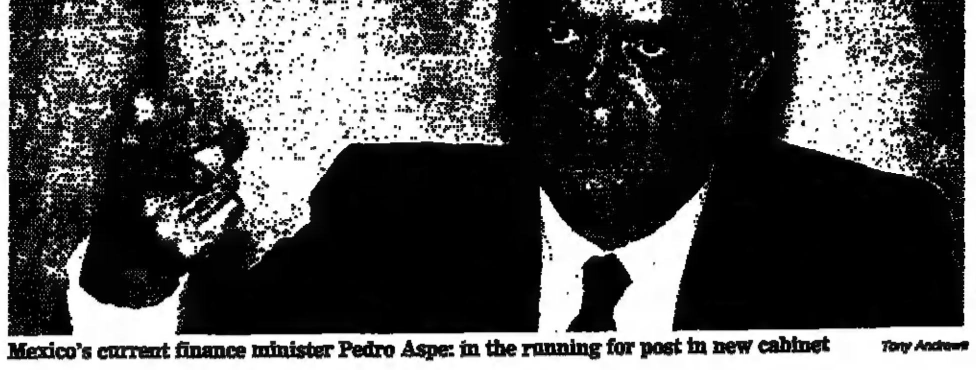
Foreign investment has held up remarkably well in the face of uncertainty, and many economists are expecting it to pick up significantly with a peaceful handover of power in prospect. Foreign direct investment, excluding foreign share purchases, reached $3.3bn in the first half of the year, compared with $4.9bn for the whole of last year. "Direct foreign investment could easily reach $7bn in 1994," says Salomon Brothers in New York.

But growth of the country's trade and current account deficits remains a troubling feature to many economists - and underlines to some the overvaluation of the Mexican peso.

Most economists appear to believe that a big devaluation is out of the question. President Carlos Salinas is unlikely to want to repeat the experience of his three predecessors, forced into panic devaluations in their last year of office.

With reserves perhaps around $17bn – and assuming an amenable environment in international markets – the question becomes not whether Mr Salinas can hold the exchange rate but whether it is sensible for him to do so. If a depreciation is considered desirable, the government is expected to push for it gradually, by increasing the daily slide of the peso against the dollar from the current 40 cents a day (or about 5 per cent a year) as part of the so-called *pacto* in early September.

Mr Zedillo and his advisers are sure to have an important influence over content of the new *pacto*, an annual agreement between business, labour and the government, especially if there is a decision to modify exchange rate policy. A former budget minister and central bank official, Mr Zedillo strongly supports the economic policies of the current administration, and there is expected to be co-operation between the outgoing and incoming administrations – especially in selecting public spending priorities.


Mexico's current finance minister Pedro Aspe: in the running for post in new cabinet Tony Andrews

The continuity in economic policy is likely to be underlined when Mr Zedillo chooses his economic cabinet. Mr Jaime Serra Puche, the trade minister and a friend of Mr Zedillo from when they were both students at Yale University, Mr Guillermo Ortiz, the deputy finance minister, and Mr Pedro Aspe, current finance minister, are in rough order of likelihood the three candidates most frequently mentioned as the next finance minister.

With inflation under control, Mr Zedillo and his economic team are likely to focus on improving efficiency of the economy over the next six years. Advisers say the new government will seek to remove unnecessary business regulations, improve functioning of the labour markets and commercial legal system, overhaul the health and social security system and continue to modernise the giant state monopolies in oil, and electricity, opening them up to more competition.

But important as such reforms are, they are not expected to be the most crucial aspects of a Zedillo administration. "For the future I'm less worried about Hacienda [the finance ministry] and more worried about Gobernacion [the interior ministry]. Politics will be to this administration what the economy was to the last," says Mr Heath.

Cardoso gains in Brazil poll race

By Angus Foster in Brasilia

Brazil's former finance minister, Mr Fernando Henrique Cardoso, has pulled further ahead in the presidential election race, according to an opinion poll published yesterday.

The poll, one of the largest yet carried out and published by the Folha de São Paulo newspaper, suggested Mr Cardoso was far enough ahead of his rivals to win outright in the first round of voting in October without a second round run-off in November.

The poll, which backs others published in recent days, gives Mr Cardoso the support of 43 per cent of the electorate. This compares with only 23 per cent for his nearest rival, Mr Luis Inácio Lula da Silva of the left-wing Workers' Party (PT).

Mr Cardoso's rise in popularity is almost entirely due to optimism over the Real, the country's new currency, which was introduced on July 1 and has led to sharply lower inflation. Mr Cardoso negotiated the currency and other measures through Congress, before resigning as finance minister to run for president.

Since the Real's launch, his support has more than doubled from 21 per cent. Support for Mr da Silva, universally known as Lula, has fallen during the same period from 38 per cent.

Mr da Silva's advisers hope his share of the vote has now stabilised and they can renew their attack on Mr Cardoso. But there is concern in the PT that the election will be over in the first round. Under Brazil's rules, the first round winner becomes president if he polls more votes than his combined competitors.

According to the latest poll, Mr Cardoso would win in the first round because Mr da Silva and the other challengers have a combined vote of only 38 per cent. This is the first time Mr Cardoso's lead over his combined competition has exceeded the poll's margin of error of 2 per cent.

Mr Cardoso's rise has led to heady sessions on São Paulo's stock market. The Bovespa index made its seventh successive advance on Monday and has increased nearly 16 per cent in the last week.

See World Stock Markets Page

New Argentine constitution today

By John Barham in Buenos Aires

Argentina's President Carlos Menem and some 5,000 officials will today swear obedience to the country's new constitution. The ceremony promulgating it will mark the informal opening of campaigning for next May's presidential elections.

The 1853 constitution was amended mainly to allow Mr Menem to stand for re-election when his term ends next year. The previous constitution banned successive presidential terms. Lifting this ban became Mr Menem's overriding political aim of the past two years.

As well as allowing the president's re-election to a second, four-year term, the new constitution introduces a semi-parliamentary form of government, broadens the powers of Congress and gives the judiciary greater independence.

The constitution is Mr Menem's greatest personal achievement since his election in July 1989. Last December, he overcame the opposition of the Radical Party, led by former president Raúl Alfonsín, by promising a number of concessions in return for allowing his re-election.

The constitution incorporates referenda and entrenches a broad range of individual rights and declarations of principles. These include recognition of Indian lands and a restatement of Argentina's claim to the Falkland Islands.

● Argentina has protested to Britain over the UK decision to extend a fishing exclusion zone around the Falklands, a government spokesman said yesterday, Reuter reports from Buenos Aires. Britain confirmed it was extending the zone to an area north of the islands known as the Gap.

Mr Guido di Tella, Argentine foreign minister, handed the protest to Britain's ambassador, Mr Peter Hall, on Monday. Mr di Tella later criticised remarks by British Home Secretary Michael Howard claiming there was "nothing to negotiate" over the islands.

London denies its decision to expand the fishing exclusion zone is related to Argentina's renewed claims over the Falklands. But Mr di Tella called the extension a tit-for-tat move.

NEWS: WORLD TRADE

US stalls on duty refund to Canada

By Nancy Dunne in Washington

The US Commerce Department has ordered an end to collection of duty on imports of Canadian softwood lumber, but it has yet to agree to return an estimated $450m-$500m in duties which a bilateral dispute settlement panel said had been wrongfully collected.

A US-Canadian appeals panel last month upheld an earlier finding that Canada's timber pricing and log export policies were not being subsidised. This reversed a finding from the US Commerce Department, which had led to the collection of countervailing duties.

Mr Ron Brown, the US commerce secretary, last week said the Commerce Department had "just the other day" ceased collecting duties and was "in the process of evaluating what our future course will be". A lawyer for the US timber industry said the binational panels which reviewed the US subsidy ruling had no legal authority to require repayment of duties.

Mr Roy MacLaren, Canada's trade minister, has demanded refund of the duties promptly and with interest.

A number of US senators – including the majority leader, Mr George Mitchell, and Mr Max Baucus, chairman of the trade sub-committee – want the duties withheld until Canada agrees to change its timber pricing system. In a letter to Mr Brown, the senators said the issue of subsidised lumber had mistakenly become part of the Canada Free Trade Agreement. "Canada exploited this oversight, and the panel process has repeatedly misinterpreted US law," they said.

"As the US dissenters in the subsidies cases noted, the three Canadian members that directed the Department of Commerce to find that these subsidies were not actionable under US law exceeded their jurisdiction and usurped Congress' right to make US law."

However, they say, a long-term solution may now be possible because the Canadian provinces have essentially admitted that "enormous subsidies exist".

Withholding the duties could bring the parties to the negotiating table "to settle their differences".

The Canadian embassy said US officials might need authorisation from Congress before paying money back.

Turkmen gas accord with Iran

The presidents of Iran and Turkmenistan were yesterday due to sign an agreement to allow the building of a $7bn pipeline to carry Turkmen gas via Iran and Turkey to Europe, said Iran's oil minister Gholamreza Aqazadeh, Reuter reports from Tehran.

Presidents Akbar Hashemi Rafsanjani of Iran and Saparmurat Niyazov of Turkmenistan met yesterday to put the final touches on the deal. They were today due to "break the ground at a site along the pipeline route south of Tehran," said Mr Aqazadeh, in a symbolic start to the project.

Mr Aqazadeh said the pipeline would take six to eight years to build, with the 1,450 km section in Iran costing $3.5bn, half of which would be financed by Iran. The Iranian section would be transferred to Iranian ownership after 25 years, he said.

The pipeline, which will have an initial annual capacity of 15bn cubic metres, to be expanded to 28bn cubic metres in a second phase, is crucial for Turkmenistan whose former gas export routes through Russia were disrupted by the collapse of the Soviet Union. It will be by far Iran's biggest joint project with Moslem ex-Soviet republics. Turkmen, Iranian, Turkish, Russian and Kazakh officials will meet in Turkey in January to agree transit fees for Iran.

Taiwan pressed on beer monopoly

The regulatory bureau must satisfy Gatt by dismantling its role, writes Laura Tyson

Political reform has ended the one-party system in Taiwan, but the island remains a one-beer state, thanks to Taiwan Beer, which contributes much of the $2bn (£1.3bn) a year that goes to the government as a monopoly producer of alcohol and tobacco.

However, the Taiwan Tobacco and Wine Monopoly Bureau is now under pressure to satisfy the General Agreement on Tariffs and Trade by ending its regulatory role and dismantling its monopoly.

'Before 1987, Taiwanese never saw western products. Now they're more international in outlook - and they're wealthy'

The one-beer policy is a legacy from the 50-year Japanese colonial administration which began in 1895. Monopolies were established to control trade in opium, camphor, salt, tobacco, spirits, matches and petroleum.

When the then Nanjing-based Kuomintang government took control of the island in 1947, it commandeered all breweries, wineries and distilleries and continued the Japanese administration's monopoly.

Imports are allowed, and on September 1, some 137 countries will be permitted to sell alcohol in Taiwan, compared with 122 at present. However, with Taiwan Beer made from rice, and thus quite different in flavour to western brews, traditional Asian alcoholic beverages made from sorghum and rice, as well as Japanese alcohol, remain banned. Japanese beer is sold in Taiwan, but only where it has been produced outside Japan.

Under this regime, the market penetration of imported beer is little more than 5 per cent, with Taiwan Beer accounting for around 94.5 per cent of sales in 1993 on annual production of 465m litres. However, Taiwan Beer's market share has fallen, from 96 per cent a year earlier, while beer imports rose by 62 per cent in the year to June 30 1994.

In fiscal 1994, the Monopoly Bureau's alcohol and cigarette sales raked in NT$91.5bn (£2.2bn); while net profits have yet to be released, they are expected to amount to some NT$60bn. The bureau's substantial earnings are divided between central and provincial government, with the former receiving 65 per cent and the latter 35 per cent.

Taiwan Beer produces four types of beer, in three breweries: bottled lager, keg beer, canned beer and an unsuccessful dark beer marketed under the label Baodao ("treasured island"). A light beer was launched several years ago but discontinued due to poor sales.

The company has also revived plans to produce a low-calorie beer to compete with the influx of foreign rivals. Taiwan Beer contains 4.5 per cent alcohol and 2 per cent sugar. The new brew is to have 2-2.5 per cent alcohol and 1.5 per cent sugar. But the promotion and advertising of alcohol is currently highly restricted.

Advertising for foreign brands of beer is restricted to 120 magazine insertions per year per label. Importers of spirits are permitted to advertise in magazines for one year after the brand is first brought into Taiwan. Thereafter they may not advertise. Television, radio, billboard or any other type of advertising or promotion is banned. The monopoly bureau does not advertise Taiwan Beer or any other alcohol which it produces.

Importers are lobbying to have these rules eased once Taiwan joins Gatt. Foreign beer makers are also hoping they will eventually be permitted to establish bottling factories in Taiwan, which would reduce production and freight costs.

Other Taiwanese alcohol, such as the fiery sorghum liquor, Kao Liang, is likely to be less affected by implementation of Gatt, than beer, but there are import tax implications.

Taiwan is already the biggest market in the world in sales of XO grade cognac in terms of absolute volume. Brandy imports soared 70 per cent in the year ended June 30 to 406,828 cases of 12, while whisky imports jumped 66 per cent to 542,029 cases.

"All western products are now extremely popular in Taiwan," explains Mr King Lai, managing director of Saatchi & Saatchi Advertising's Taiwan office. "Before martial law was lifted in 1987, people never saw these products because the market was closed. Now many Taiwanese are travelling overseas; they've become more international in outlook and they're wealthy." But US alcohol is subject to far more lenient tax treatment than European alcoholic beverages, with the tax on cognac and armagnac running at NT$1,000 per litre and on Scotch at NT$440 per litre, compared with NT$198 per litre on US and Canadian whiskies. These discrepancies will need to be eliminated.

The government has yet to determine how a post-Gatt tax system will work, or when it will be implemented. New rules are expected to go into effect on January 1 next year. The Europeans are lobbying for a tax based on alcohol content and the US is pushing for an *ad valorem* system.

But the Taiwanese may settle on a combination of both, while devising a system which retains a degree of protection for local products.

Arab-Israeli agreements prise open way for greater trade ties

Israel predicts a regional common market, writes Julian Ozanne

After decades of Arab economic isolation, Israel's gradual normalisation of relations is being cemented by trade agreements which are paving the way to a commercially interdependent Middle East.

Mr Shimon Peres, Israeli foreign minister, has predicted the development of a regional common market, while Crown Prince Hassan of Jordan has advocated "a Middle East marked by the free movement of people, capital and goods across national frontiers".

Such a vision is unlikely to materialise for many years, with Israel opposed to the free movement of labour and bound by possibly incompatible trade accords with the US and European Union. Arab states also fear Israeli economic domination.

However, the newly emerging trade patterns between Israel, the Palestinians and Jordan provide what Mr Ehud Kaufman, a senior Israeli economic negotiator, describes as "the first building blocks" for wider Arab-Israeli co-operation.

Israel's custom union with Palestinians and last week's unilateral trade concession allowing Jordan to export $30m of goods a year into the Israeli-occupied West Bank will provide immediate economic benefits to Israel's Arab neighbours.

Mr Ezra Sadan, an Israeli economist, predicts that Palestinian exports to Israel - now worth $150-200m annually - will return to the annual growth rates seen in the 1970s of about 16 per cent.

For Israel, the deals offer political gains, in the form of the greater security brought by increased Arab-Israeli trade links and as possible encouragement for other Arab states, such as Syria and Lebanon, into peace treaties.

Israel also hopes trade concessions will encourage the EU and the Far East to open up to Israeli exports in the interest of consolidating Middle East peace.

Under the Palestinian-Israeli agreement, Israel and the self-rule areas of Gaza and Jericho are forming a free-trade customs union, protected by a common tariff barrier. The customs union will be extended to the rest of the West Bank after Palestinian elections due mid-December, but Palestinian agricultural produce has already begun flowing freely into Israel.

Israel says rising Palestinian agricultural exports to Israel - now worth $150-$200m annually - has provoked a backlash from Israeli farmers and forced the government to allocate Shk250m ($83m) in compensation and export incentives.

Israel has also granted the Palestinians exemptions under the customs union to import limited quantities of basic food items and high priority inputs for construction and development at their own customs rates. In addition, the Palestinians will have VAT of 15 per cent compared with Israel's 17 per cent, import some consumer goods, such as cars at their own rates and sell petrol at a pump price 15 per cent lower than Israel's.

The short-term concessional agreement with Jordan allows Jordanian exports without a reciprocal opening of Jordan to Israeli exports. The move reflects Jordan's concern about the affect on its protected import substitution industries of a two-way opening of trade.

The measure will have little impact on Israel's economy and is an important victory for Israel in its continuing battle to erode the Arab economic boycott. However the move will only last until Israel hands over the West Bank to Palestinian self-government. Jordan would then have to negotiate a permanent trade accord with both partners of the customs union.

Traditional Jordanian-PLO political rivalry remains formidable and Palestinians may also object to Jordanian competition on economic grounds, with the few goods that Israel would wish to buy from Jordan likely to compete directly against Palestinian goods. Arab states are also reluctant to integrate their economies with Israel - fifteen years after the Egyptian-Israeli peace treaty non-oil trade with Egypt is only worth about $10m.

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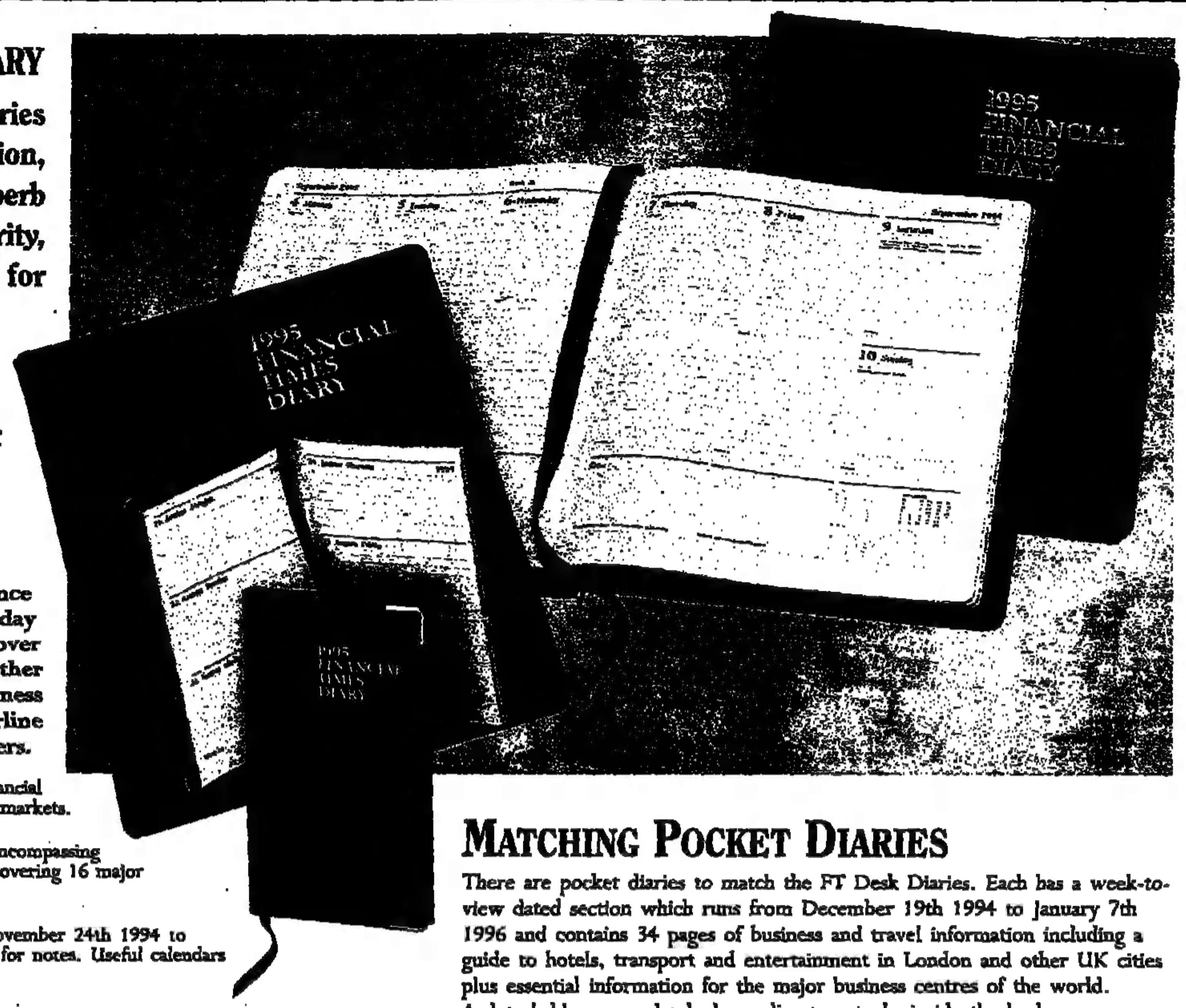

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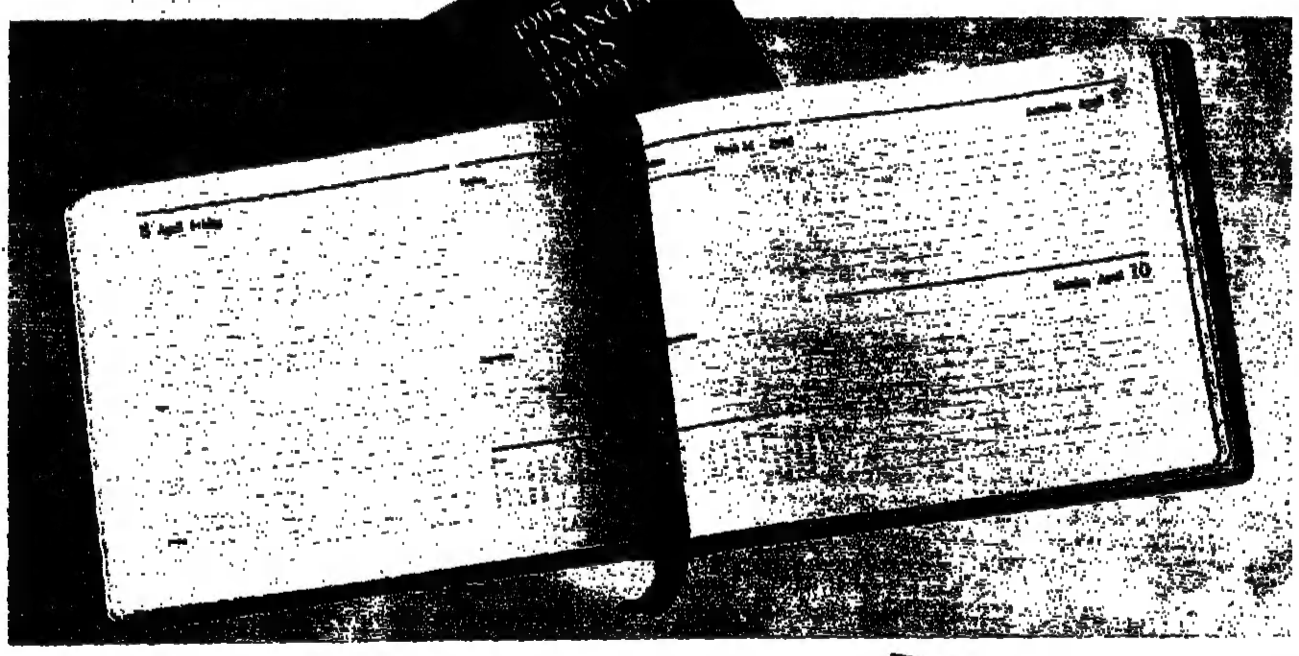

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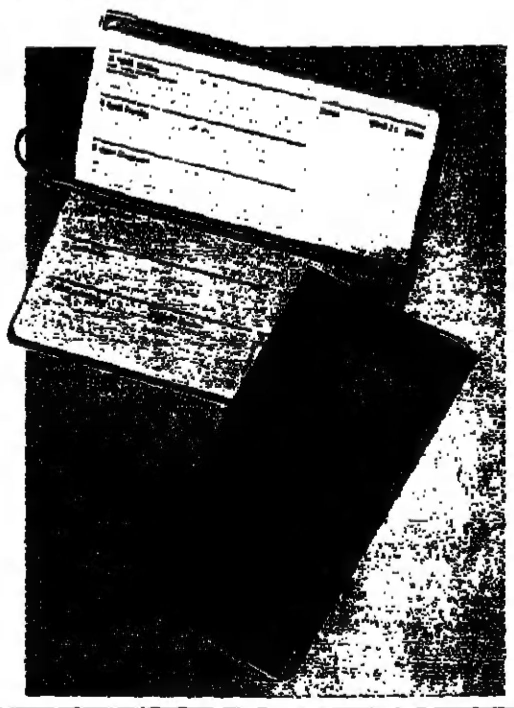

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Shine goes off dealers' diamond payday

By Andrew Taylor

City firms accustomed to paying high-flying dealers in diamonds or the occasional case of Château Lafite to avoid National Insurance contributions will have to search for more imaginative loopholes in the law.

From midnight last night gem stones and alcoholic beverages on which UK duties have not been paid, or which have been held in bond, will be treated as payments of earnings, liable for National Insurance contributions, Mr Peter Lilley, social security secretary, announced yesterday.

This could include favourites such as Château Lafite 1990 retailing at about £700 a case or, perhaps, Château Pichon la Lande, which sells for £400 a case, according to one wine broker who has made wine available for city bonuses.

The move, expected to save the exchequer about £50m a year, is the latest attempt to close loopholes which have enabled mostly large City firms to avoid paying the 10.2 per cent employers' National Insurance contributions on bonus payments running into hundreds of millions pounds a year.

It follows action by Mr Kenneth Clarke, the chancellor, in last November's budget to prevent gold bars and other tradeable commodities being used to avoid contributions, saving an estimated £70m a year. The government has previously acted to prevent gilts and shares in other companies being paid to avoid tax.

Mr Lilley said yesterday: "Companies and their accountant advisers who devise ways of paying earnings which avoid their liability for National Insurance contributions will find it increasingly unattractive to produce and operate such schemes. These regulations are clear evidence of the government's intention to act speedily to close National Insurance loopholes." Officials are thought to have uncovered about 50 schemes involving diamonds or fine wines. These escaped budget measures because they were not traded on a recognised exchange.

The Royal Bank of Canada has assisted customers making diamond-backed payment by enabling gems to be bought and sold without leaving Switzerland avoiding the payment of value added tax. It said yesterday: "The government's move was not unexpected. The operation, which was only a very small part of our business will no longer apply."

Accountants Coopers & Lybrand, which advises clients on how to limit tax bills, said: "These schemes were attractive mainly to City firms paying large bonuses to individual staff, rather than the run-of-mill bonus schemes operated by most companies.

"Firms will be looking for fresh ways to reduce their tax burden but the Department of Social Security has made it clear it will target any new arrangements. Any scheme, therefore, is likely to be short-lived."

Cable industry wins victory on phone numbers

By Raymond Snoddy

The cable television industry has won a significant regulatory victory which should help cable to increase the number of telecommunications subscribers in competition with British Telecom.

The Office of Telecommunications has decided that BT subscribers who decide to move to cable operators for their telecommunications services should be able to take their old telephone number with them.

The cable companies, many of them large North American telephone groups have been installing nearly 25,000 new telephone lines every month in the UK so far this year. But the fact that subscribers had to change their number when they moved to a cable service has been seen as a considerable barrier particularly for business users.

An announcement is expected from Oftel today.

The regulatory body is responding to a formal application from Videotron, one of the largest cable operators with franchises in London, Southampton and Winchester. Similiar applications have been submitted by other cable groups.

As an interim measure, BT will be asked to provide call forwarding until full number portability is possible but it not clear who will pay for this.

An all-industry committee has been making considerable progress on setting technical standards for portability. This means that in a age of growing competition in telecommunications consumers would be able to keep their number whoever their telephone operator is.

BT said yesterday: "We are surprised at the piecemeal approach that Oftel is taking."

The Cable Television Association yesterday welcomed the change which it believed would be particularly important in the business market.

"The business market is the most lucrative and the least likely to change numbers," the CTA said.

Cable companies claim they can offer discounts of more than 10 per cent on telecommunications services and by the beginning of July had installed more than 460,000 lines.

● Oftel yesterday published a study suggesting that a significant number of telephone company staff were unaware of fair trading rules.

No evidence of anti-competitive pricing in breach of licence conditions was found and although some examples of inaccurate or misleading information were found there was nothing systematic.

Portillo rapped on disabled jobs

By Motoko Rich

A statement by Mr Michael Portillo, the employment secretary, that a scheme to help disabled employees was "hardly ever used" has been challenged by the UK's largest employer of disabled workers.

Mr Tony Withey, chief executive of Remploy, said the government's decision to scrap the priority supplier scheme, which allows companies employing disabled workers to bid again if they fail to secure a government contract at the first attempt, would hit 85 per cent – or £13m-worth – of the company's textile contracts with the Ministry of Defence.

Remploy employs 8,736 disabled workers – about 99 per cent of its shopfloor employees – in 95 factories across Britain, providing manufacturing services in furniture, packaging, textiles, healthcare, bookbinding and printing. About 40 per cent of its business comes from the public sector.

Mr Withey yesterday met Mr Phillip Oppenheim, the employment minister, to discuss government support for Remploy's disabled employees. The company said it had sufficient work for its textile factories until the end of the financial year, and Mr Oppenheim ordered officials to work with Remploy to protect employment opportunities.

Although the textile division relies heavily on the scrapped scheme, the rest of the company has been able to obtain public contracts without using the scheme.

Remploy's Tony Withey said a subsidy would not offset lost bids for government contracts Tony Andrews

Mr Portillo has said an £80m subsidy would continue to help disabled employees to compete even though the scheme had been scrapped.

But Mr Withey said the subsidy would not offset the loss of the opportunity to re-bid for tenders on government contracts. The subsidy, set each year, only covers the costs incurred by employing disabled workers. "The subsidy has never been used to make us more competitive," he said. "Our pricing has nothing to do with the subsidy."

The company, which reported turnover of £126.7m last year, up £2m on the year before, was able to boost sales in spite of a reduced government subsidy, loss of key public contracts, and competition from companies which employ cheap labour from North Africa and Eastern Europe.

"We now have a two-fold problem," said Mr Withey. "We are unable to compete with some companies because we have higher prices as a result of higher labour costs and the privilege that we have had in bidding for government tenders has disappeared."

Mr Withey said he had known about the government's intention to axe the priority scheme for about a year. "We made it clear that a large amount of our textiles business comes from this scheme," he said. "But the way it was presented to us was that we had no choice because it was illegal under EU directives."

Potato growers to retain Board

By Alison Maitland

Rebel UK potato growers who wanted to expose the industry to market forces overnight have been overwhelmingly defeated in a poll of the country's 15,000 producers.

Growers voted by 81 per cent to 19 per cent to keep the Potato Marketing Board in place for the next three years while the industry discusses the shape of a successor body with the aim of taking it into the 21st century.

"This is a victory for common sense, but also a strong mandate for change through the PMB," said Mr John Heading, the board's chairman, announcing the results of the poll yesterday.

"As a potato grower myself, I am well aware of the need for a national organisation to look after our collective interest in highly competitive, unregulated markets."

The board's future had been in question since 420 growers called the poll last month, saying the 60-year-old board had outlived its usefulness and should be abolished immediately.

Mr Graham Solari, chairman of the rebel Potato Producer Poll Campaign, accepted defeat gracefully, saying he would press his supporters to back the board in its three-year transition to the open market.

"The PMB have moved their position considerably during the course of the campaign in that their expectations of the costs of operating the scheme have been considerably reduced," he said.

The dispute over the board was triggered by last November's government decision to scrap its principal function – buying in potatoes to support prices in a glut – and to wind it up in 1997. Rebel growers, unhappy about the level of levies they pay to the board, demanded that it be scrapped now so that the industry could set up a "lean and efficient" substitute organisation for potato promotion and research.

Mr Heading said the board would now press ahead with more changes, planning the successor body, reducing the levy progressively to no more than £35 a hectare from £48 now, and trimming services and staff.

Britain in brief

BT makes smart card investment

British Telecommunications announced yesterday a multimillion-pound investment in new phonecards and phonecard payphones based on "smart card" integrated microchip technology.

BT claims the cards will improve the reliability of payphones, and could ultimately lead to multi-purpose cards designed for a wide range of functions, such as paying for goods in shops.

BT plans to introduce the new payphones gradually from next year.

Three companies, including GPT, the UK-based joint venture between GEC and Siemens, will provide payphones able to accept smart phonecards. Two companies, Gemplus and GPT, will produce the phonecards.

The smart phonecard will be a prepaid card similar to existing phonecards and will be used in a similar way. The value of the call will be debited from the integral chip in the card.

Existing BT phonecards have only limited space for creative designs and advertising. The new cards will allow more space for these purposes, as with Mercury's existing cards.

BT introduced the Phonecard in 1981, and now has 39,000 cardphones.

Clash over post sell-off

Britain's National Federation of Sub-Postmasters yesterday denied that government plans to sell 51 per cent of the Royal Mail and Parcelforce to the private sector would lead inevitably to the closure of many post offices.

In remarks coinciding with the release of a Labour survey of 500 postmasters and postmistresses, Mr Colin Baker, the federation's general secretary, said there was "no evidence whatsoever" that the sale would result in widespread closures.

In comments widely interpreted as an attack on Labour, Mr Baker said the federation was concerned about "blatant scaremongering stories of massive sub-office closures" and felt it vital such rumours should be scotched.

But he acknowledged that the organisation, which represents Britain's 19,000 sub-postmasters and postmistresses, had concerns about separating the various parts of the post office.

He said there were still "many questions" to be answered arising from this year's government green paper. These related particularly to automation and the future size of the post office network.

Coal set for job losses

British Coal yesterday began negotiations for a final run-down of staff before privatisation. The move is expected to lead to more than 2,000 job losses by the end of the year.

In talks with three unions, the corporation was unable to state exactly how many jobs would go but said the cuts would broadly be limited to management and clerical staff at national, regional and group headquarters.

Of British Coal's 14,000 industrial employees and staff, about 10,000 are miners, with the rest either managers or white-collar workers.

Most of those who are not working in pits are unlikely to be needed by British Coal's successors.

The government has asked for bidders for the five core mining packages to put in their tenders by September 14 and is expected to decide on a preferred candidate for each shortly after.

Fault led to jumbo near miss

A jumbo jet with more than 200 passengers and crew on board narrowly missed buildings at Gatwick Airport because a navigation system was faulty and the aircraft's crew made mistakes, an official safety report said yesterday.

The crew of the Continental Airways Boeing 747 was working on incorrect information when two attempts were made to land the aircraft at Gatwick on February 7 last year.

Both were aborted only a short way from the runway. The aircraft was landed at the third attempt under manual control, said the report said the report by Britain's Air Accidents Investigation Branch.

The problems happened because the aircraft's automatic flight control system failed to lock on correctly to Gatwick's landing guidance instruments, the report said.

More private health care seen

Mrs Virginia Bottomley, the health secretary, yesterday forecast an increase in private care in the National Health Service, but played down the prospect of greater independence for trusts.

Her remarks prompted an angry response from Labour, which said that the government was accelerating its drive to privatise the NHS.

Mrs Bottomley's comments followed a suggestion by Mr Peter Griffiths, the former deputy chief executive of the NHS, that health trusts should be given greater independence.

Mr Griffiths, who is now director of the King's Fund College, an independent medical training organisation, told BBC Radio that trusts could become "non-profit-making organisations with the right kind of social ethos".

Mrs Bottomley said: "If the private sector can give a better deal for patients, I welcome it. Where the private or public sector mean we can go further faster, provide an additional service, that's something we should certainly embrace."

Jobs threat in blood shake-up

The number of blood transfusion centres in England will be cut from 15 to 10 under reorganisation plans announced yesterday.

Officials of the National Blood Authority said the cuts would lead to a small number of job losses – but unions said more than 1,000 of the service's 5,200 staff were at risk.

A strategic review of blood services has produced 35 proposals aimed at increasing efficiency and improving the supply of blood products to the National Health Service. These include managing the service around three administrative zones based in London, Bristol and Leeds, and organising stockholding so that hospitals receive emergency deliveries within two hours.

Investment rise fuels pick-up hopes

Gillian Tett on the increase seen in manufacturing investment

Manufacturing investment in the UK rose for the first time in two years in the last quarter, fuelling hopes that the pick-up in the industrial sector might be finally feeding through to a growth in investment, official figures yesterday showed.

The rise occured in spite of the fact that official data released earlier this week showed that overall investment in the UK economy fell in the second quarter of the year, compared to the first quarter.

The seasonally adjusted provisional estimate of manufacturers' capital expenditure in the three months to June was 4 per cent higher than in the three months to April, the Central Statistical Office yesterday said.

This rise marked the first rise in manufacturing investment since the second quarter of 1992, and some analysts yesterday suggested that the growth may indicate a turning point in the manufacturing sector. In the last five years manufacturing investment has fallen by some 30 per cent, after collapsing steadily from the peaks it reached in 1989.

But with last quarter's pick-up in investment still lagging a long way behind the overal pick-up in the manufacturing sector, yesterday's figures suggested that the investment picture remained distinctly patchy.

Overall manufacturing investment in the second quarter of this was 2 per cent higher during the year compared to the same period last year, the CSO said. Measured on an annual basis, however, the level of capital expenditure in the year to June was three per cent lower than in the year to June 1993.

Broken down on a sectoral basis, the data showed distinct differences in the type of investment. Spending on plant and machinery, which accounts for the vast majority of manufacturing investment, rose by 3.4 per cent in the second quarter, compared to the first quarter.

However, spending on plant and machinery was 1 per cent lower in the second quarter of the year, compared to the same period a year ago, and measured on an annual basis, spending fell by 5 per cent in the year to June, compared to the previous year.

Spending on vehicles, by contrast, rose by 8 per cent in the year to June, compared to the previous year, while spending on buildings rose by 4 per cent.

Measured on a sectoral basis, the figures showed that the solid and nuclear fuels and oil refinery sector fell back sharply over the year, with spending in the second quarter of this year 31 per cent lower than in the same period a year ago.

Spending in the chemicals, metals and non-metallic minerals sector, also fell back over the year, in spite of a small rise in the last quarter. Spending in this sector was 5.6 per cent lower in the second quarter of the year, compared to the same period a year ago.

Spending in the machinery, electrical and transport sector, however, was 1.7 per cent higher in the second quarter of the year, compared to same period a year ago.

Meanwhile separate data released by the CSO yesterday showed that manufacturers reduced their stocks by [illegible] in the last quarter, after a sharp rise in stocks in the first quarter of this year.

The level of work in progress among manufacturers rose by £115m, in the second quarter, after rising by £182m in the first quarter of this year.

Retailers' stocks, however, rose in the second quarter of the year, after falling back in the first quarter. Wholesale stocks rose for the second quarter in a row.

MANAGEMENT

EUROMANAGER TO WATCH

Dreaming at the top

Belmiro de Azevedo rose from a poor village background to be chairman of the Sonae group, writes Peter Wise

"My head is in the clouds but my feet are firmly on the ground," says Belmiro de Azevedo. The management philosophy of one of Portugal's most successful businessmen is rooted in the down-to-earth values of the poor village where he was born and the capacity to dream that helped him climb to the top.

By drawing on the spontaneity, aggressiveness and frugality that characterised his background, Azevedo has built the Sonae group into Portugal's biggest private-sector conglomerate, with 1993 sales of Es228bn ($1.4bn). The company was an almost bankrupt chipboard producer with an annual turnover of only Es5m when he was taken on as a researcher in 1965.

Azevedo, 56, tempers Latin passion with a dedication to education and a determination to rise above local horizons and take a global view. Partly thanks to his efforts, Portuguese management style is no longer a pejorative term used to describe sleepy, family-run businesses unaware of international competitors until it is too late.

The son of a carpenter from a village near Oporto, Azevedo was given a job at Sonae soon after graduating as a chemical engineer. The owner was president of the sports club where Azevedo made a name for himself as a handball player. The young graduate turned the business around and was rewarded with equity.

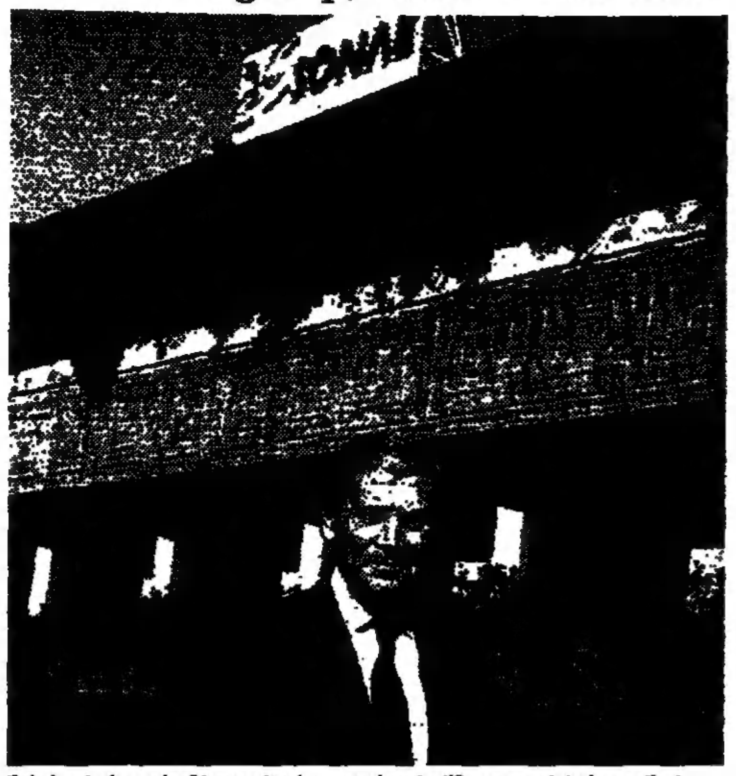
As he expanded the group, Azevedo succeeded to the chairmanship, becoming principal shareholder along the way. He is now thought to be the third richest man in Portugal, owning assets worth an estimated Es105bn. Sonae's industrial arm is still focused on wood-based products, a sector where the group dominates the Iberian market and has ambitions to become a European leader.

But a perceptive move into distribution in 1982 took it into an altogether bigger league. "Portugal was in the stone age in terms of retailing and an explosion was imminent," says Azevedo. Sonae's supermarket and hypermarket chains now lead the Portuguese market and account for 82 per cent of group turnover. Sonae's other core activity is commercial real estate.

Normally on the offensive, Azevedo is currently playing a defensive role in Portugal's biggest takeover battle. Led by Sonae, the core shareholders of Banco Português do Atlântico, the country's second largest bank, are fighting a bid by Banco Comercial Português, the fifth largest, to acquire a controlling stake of 40 per cent of BPA.

Family was the first nest of Portuguese management tradition that Azevedo flew. His own appointment and promotion was based on merit and he enforces the same policy. "A sense that people will rise just because they are family members is the worst possible climate for a corporation," he says. "Following the northern Portuguese custom would make it very difficult for Sonae to motivate the best managers."

However, Azevedo does follow his executives' progress with fatherly concern. Sonae has no human resources division for its 8,790 employees. But Azevedo devotes considerable time to personally guiding the careers of the group's top 100 managers. He is keen to ensure that each manager is in the position where his or her abilities are best put to use. As a result, Sonae has a reputation as a management school equal to any of the specialised academic institutions that have recently emerged in Portugal.



Belmiro de Azevedo: 'You can't take a purely scientific approach to innovation'

Small as Sonae was when Azevedo joined, the company exported to more than 60 countries and he spent three months a year travelling abroad. The international outlook he gained is another quality that distinguishes Sonae from many Portuguese companies. "We approach strategic and organisational issues in global, regional and local terms and strive to be at the cutting edge of technology at a international level," Azevedo says.

Such is his drive to dominate trends affecting the group that there are often more Sonae managers at international business conferences on relevant issues than all the other delegates put together. One result was that supermarkets in Portugal were unexpectedly the first in Europe to have every check-out equipped with a scanner.

Education helped Azevedo rise above his background and today it is one of the assets most valued by Sonae. Azevedo himself spends two to three hours a day studying the latest management thinking and attends courses around the world. Dedication to self-improvement is a feature of the Sonae culture and managers are encouraged to spend time teaching at universities, as Azevedo did during his early career.

Azevedo supports academic learning with the common sense values of his upbringing. These tell him, for example, that much current management writing is "bunk, old-hat or repetitive".

Outside the office, he most enjoys conversing with the small farmers who live near his modest farmhouse. Frugality is a hallmark of Sonae and the successful leveraging of resources has played an important role in the group's expansion.

Emotion is also a vital element of Azevedo's management style. "You can't take a purely scientific approach to innovation. You must have dreams and visions as well," he says. "I think Latin managers have more flair for this. The margin of error is higher but they are more aggressive in pursuing new ideas."

Azevedo's own combativeness partly stems from a lifelong passion for sport. He says he is addicted to the 90-minute workout that begins his day. "We can be aggressive with each other in Sonae. If you are too polite the message sometimes doesn't come across as it should." The right degree of stress is important, too. "I don't know of anyone who has broken a world record while they were training," he says.

Azevedo is reluctant to acknowledge criticism that his own pugnacity has, in the past, led to a despotic approach to running Sonae. Today, he says, he is involved in less than 10 per cent of decision-making. Associates commend him for recognising his assertive traits and building mechanisms of control and delegation into Sonae that protect the group from any dictatorial inclinations.

Four months' absence following an operation last year showed Azevedo that Sonae could prosper without him. It has also taught him that he can afford to spend less time on close control of day-to-day affairs and devote more to strategic thinking. "I used to spend about three hours a day taking calls or writing to people," he says, "now I've cut it down to 30 minutes." More time for dreaming . . . with his feet on the ground.

BOOK REVIEW

Dissection of the professional firm

By Andrew Jack

Charles Handy, Tom Peters and other management gurus have a habit of pointing to the professional service firm as one of the most instructive models for the business of the future. But definitive literature on the species, and its management problems, remains sparse.

Accountants, lawyers, architects, consultants and other professions arranged as partnerships are significant employers, revenue generators and influence-formers around the world. Yet – partly because of their own secrecy – they are rarely analysed.

An exception is the work of David Maister, a US-based consultant and former academic who over the past decade has become one of the world's few commentators on the subject. His *Managing the Professional Service Firm**, just published in Europe, provides useful and readable insights – in spite of some drawbacks.

The book's style reflects Maister's frequent oral presentations in his work as a consultant to professional firms.Much is honed into simplistic but memorable alliterative "rules of three".

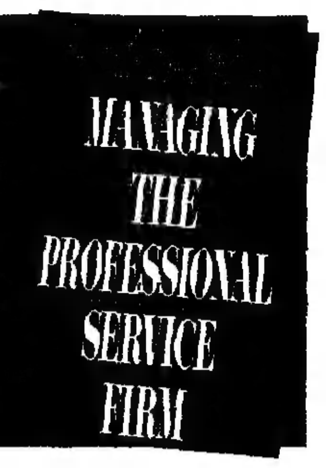
Hence firms are about service, satisfaction and success; client benefits relate to expertise, experience and efficiency. In a phrase borrowed from medicine, the most important priorities are availability, affability and ability – in that order.

Borrowing an image from social science research, Maister says most firms are either "farmers" specialising in particular areas, or "hunter-gatherers" in a constant search for new sources of meat (types of work), whatever these may be.

Many firms still believe they are offering high-value, top-level "brain surgery" to clients while their clients, by contrast, increasingly view the services they offer as more those of the "chemist shop".

Moreover, he argues that many firms have maintained profitability by focusing on short-term "hygiene" performance measures (such as staff utilisation, boosted by sacking staff) rather than on long-term "health" measures (such as fees per hour).

> 'Many firms believe they are offering 'brain surgery' to clients, while their clients view the services as more those of the 'chemist shop''



Maister manages to bring off his analysis without the worst excesses of guru-speak. He includes some pertinent personal and self-deprecatory stories, valuable expertise from his consulting work, and a few references to other specialist writers.

He talks about the systematic failure by firms to delegate more to junior staff; the fact that professionals tend to be more geared to their own values than what the client might want; and that the difficulty professionals have with marketing themselves is less of a "marketing problem" than the result of inadequate management to create the opportunities for the effective sale of services.

One value of the book is that Maister is able to appeal to the widest audience of different types of firms and is able to draw on their varying experiences.

But this is also a weakness. While there are clearly many parallels, there are also a good number of differences between the types of firm: in size, structure, culture, market, willingness to change and so on. Maister makes little attempt to highlight these.

Irritatingly, he rarely gives named examples, blaming the need to retain confidentiality to clients. Some of his material on particular organisations is also outdated.

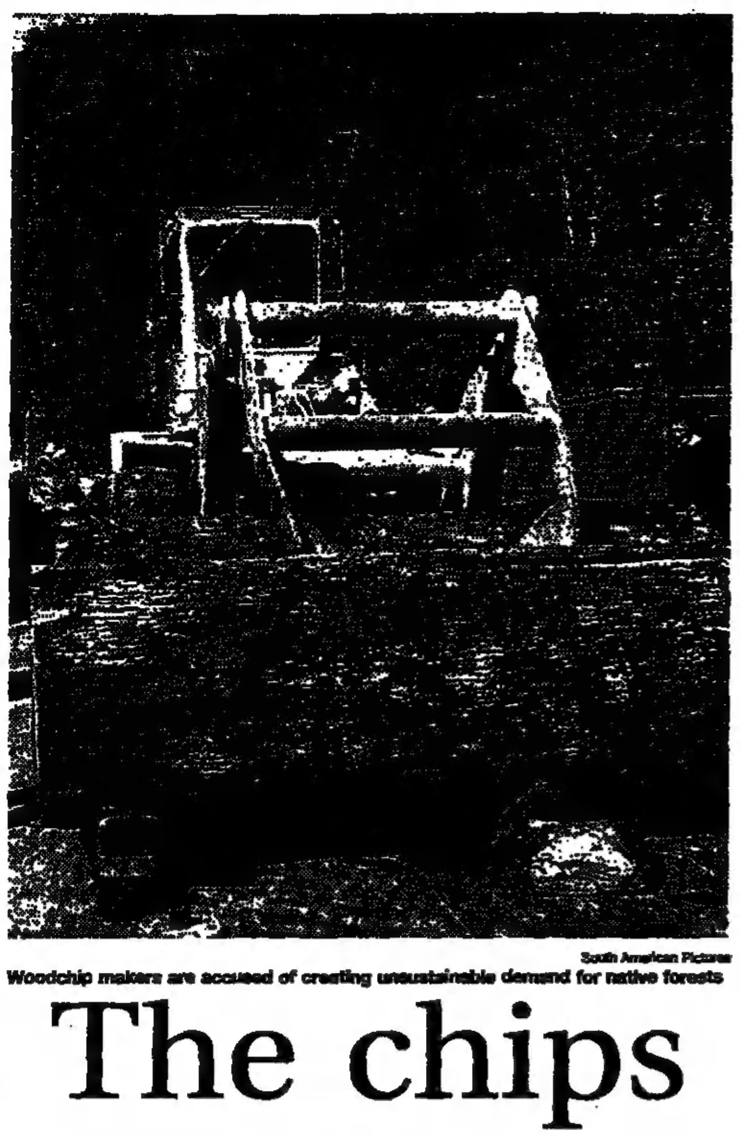
In spite of that, he does provide useful analysis of several firms that are commonly held to be well managed: Arthur Andersen, Goldman Sachs, Hewitt Associates, Latham & Watkins and McKinsey. He describes them all as "one-firm firms" with a single structure, identity and method of operation. The staff and partners are characterised by their loyalty, teamwork and hard work, for downplaying stardom and generating a sense of mission.

The book's principal other weakness, other than its rather banal tables and graphics, is that it is essentially a compilation of articles – some written as long as 13 years ago – rather than something specially written and coherently structured.

He admits that a few years ago, friends told him his clients were saying: "Oh yeah, we've had Maister in and heard his stuff. What else has he got?" His next book should prove the real test of whether he has an answer to that.

**Free Press/Simon & Schuster. $39.95/£29.95.*

BUSINESS AND THE ENVIRONMENT



South American Pictures

Woodchip makers are accused of creating unsustainable demand for native forests

The chips are down

David Pilling looks at the growing controversy surrounding Chile's booming forestry industry

When the rain is not lashing down, the noise can be heard quite clearly – a faint rumbling punctuated by thuds. It is the sound of the Forestal del Sur woodchip plant in the rough-and-tumble town of Puerto Montt, southern Chile, grinding up thousands of logs into chips for export to Japan.

It is also the sound of controversy. For of all the sectors of Chile's booming forestry industry – which includes pulp and paper, logs, planks and furniture – it is the woodchip manufacturers that have provoked most ire among environmentalists. Chippers are accused of creating an unsustainable demand for native forests which, say critics, are shrinking daily.

Last year, of the $1.2bn (£800m) earned by forestry exports, woodchips represented $137m. Most chips, later turned into products such as writing paper, come from native forests.

Chile's forestry sector has grown rapidly since the mid-1970s when the government began to subsidise man-made forests. An almost insignificant industry 15 years ago, forestry now counts for 13 per cent of exports, second only to copper.

But it was not until the late 1980s that chip exports took off. José Augustin Ramírez, law faculty professor at Valdivia University, says the impact has only been felt in the last few years and believes the government must act now to save Chile's woodlands. He says Chileans over-estimate the abundance of forests, which have not yet been properly catalogued. A World Bank-funded study of reserves is not expected to be ready for three years. Ramirez says that 11 per cent of Chilean territory is forested, compared with 21 per cent in the US and 63 per cent in Japan. He favours restricting the industry to man-made forests and banning the exploitation of native trees.

Claudio Donoso, professor of forestry at the same university, says a moratorium is "extremist", calling instead for the strict management of resources using pruning and rotation techniques.

Donoso claims that Conaf, the Chilean forestry corporation, lacks the regulatory teeth to control the industry properly. Furthermore, Conaf is responsible not only for the protection of woodlands, but also for their industrial development, a dual function which many critics find perverse.

In theory, landowners cannot cut down trees without Conaf permission in the form of a "plan of operation". But Donoso is scathing about such plans, describing them as "absolutely useless – just a licence to cut down trees".

At Conaf in Puerto Montt, Carlos Alberto Ritter, technical department chief, admits that "plans of operation" are a blunt tool. Conaf technicians agree the plans with landowners using criteria designed to prevent soil erosion, but not on the basis of the rarity or beauty of the woodlands. "We have no legal authority to say: 'Don't cut it.' In this respect the law is inadequate," he says.

Neither can the small Conaf office in Puerto Montt adequately monitor the vast 10th Region. Given the poor quality of roads, often impassable in winter, Ritter admits that Conaf's 16 staff and fleet of road-weary vehicles are little match for the task. Last year alone, Ritter's office handed out $1m in fines to 300 landowners caught felling trees illegally. Only 5 per cent has been collected, he says.

However, Ritter says that chippers are only a small part of what is an old problem, consuming around 10 per cent of cut wood each year. Sixty per cent is destined for firewood.

Mauricio Fierro, an environmental activist, counters that the Chilean chip industry is relatively young. If left unchecked, its damaging effects are likely to spread uncontrollably, he says.

Javier Ovalle, manager of the Puerto Montt division of Forestal del Sur, defends his industry's environmental record, saying it is "entirely feasible to exploit native forest in a sustainable manner". He argues that responsible exploitation actually improves tree quality by pruning away bad wood, a view shared by some Conaf officials.

Forestal del Sur, in common with most chip manufacturers, does not own native forest but supplies its needs by buying wood from local landowners. Critics say this is a convenient way of avoiding blame for any destruction. The company, which takes delivery of wood 24 hours a day, exports 650,000 tonnes of chips a year, earning around $35m.

Ovalle believes most private landowners are managing their forests responsibly, mainly thanks to Conaf's educational drive. "All of our suppliers have a plan of operation approved by Conaf."

He says that controversy surrounding the use of woodlands, among Chilean and Japanese consumers, means the industry will have to shift towards using wood from plantations. "This is a shame because you have lost the chance to manage the native forest," he says.

The forestry industry argues that if laws or consumer pressure render forested land uneconomic, owners will simply cut down all their trees and convert land to a profitable activity such as cattle rearing.

The controversy over woodchip producers is just part of a broader battle being waged between environmentalists and the forestry industry. Even the owners of Chile's 1.6m hectares of man-made forests – who argue that they have improved the environment by planting pine and eucalyptus – have not been immune from attack. Critics say native forests are often cleared to make way for plantations and that monocultures bring the danger of disease.

Much of the debate has been transferred to parliament where legislation to protect native forests has spent years crawling through committees. The eventual bill will probably opt for the controlled use of woodland, allowing a certain percentage of trees to be cut each year.

Industrial lobbyists argue that the imposition of onerous restrictions could render their businesses unprofitable, costing thousands of jobs and millions of dollars in exports. Juan Moya, Conaf director, says Chile cannot act as if it were a rich country. It must make use of its resources, he says.

On the other side of the debate, Ramírez believes that defenders of woodlands should have spoken earlier and louder. "The problem with native forests is that if you wait too long, there's nothing left to protect," he says.

Joel Bennett

Industrial development would threaten the porcupine caribou that migrate across Alaska's coastal plain and into Canada

Oil-rich refuge of the caribou

James Harding on US/Canadian national park links

The similarity between US oilmen and polar bears is that they both want to set up camp in Alaska. Beneath the Alaskan coastal plain, where polar bears make their dens and porcupine caribou calve, lies possibly as much as 9bn barrels of crude oil.

Proposals under consideration at the US Interior Department indicate that the Clinton administration is on the side of the polar bears. An internal memo proposes that the US and Canada "co-ordinate management" of the Arctic National Wildlife Refuge (ANWR), the 19m-acre Alaskan sanctuary, whose coastal plain is thought to contain the oil, and the adjacent Vunntut and Ivvavik Canadian national parks.

Under current legislation, oil companies are prevented from drilling until ANWR is opened up by Congress. An agreement between the US and Canada to "twin" their parklands would force companies to consult both countries to gain access to the area, effectively ending industry's ambitions for the so-called 1002 fields for a generation.

The plan to link the US refuge in north-east Alaska and Canadian parkland in Yukon territory is part of an Interior Department options paper drawn up at the beginning of August. A White House official says the Clinton administration could support a system of "co-operative management of resources in the area" because "ecosystems spill over boundaries". It was stressed that federal land would have to remain under American jurisdiction.

Oil companies still hope to gain access to the fields in the longer term and oppose any move that would obstract the future development of arctic reserves. Tom Koch, a spokesman for British Petroleum, says the company "would prefer the US to maintain the opportunity to take future decisions on energy security".

BP and Chevron Corporation of the US, which together have drilled the only well in the ANWR, have not disclosed how much oil they believe to be in the 1002 fields. Industry estimates vary, with the most modest forecast for 500m barrels.

The more common figure of 9bn barrels is plausible: the 1002 reserves are understood to be part of the same geological formation as the Alaskan Prudhoe Bay field, the biggest US reserve, which has exceeded the original 9.6bn barrel forecast and produced nearly 11bn barrels.

It is not only the petroleum industry which is resisting the proposal for twin management of Canadian and US federal land. Alaskan state governor Walter J. Hickel says: "It is unthinkable that the Department of Interior would proceed with a proposal such as this one without consulting the State of Alaska."

Responding to the suggestion that the federal government could include ANWR in a World Heritage Park, Hickel says: "This is exactly the kind of unilateral federal decision-making that we fought for statehood over."

Principles of the constitution are not all that is at stake – the oil industry promises jobs. Oil production from Prudhoe Bay is declining, from 738m barrels in 1988 to 627m barrels in 1992. The American Petroleum Institute claims that exploration and production on the Alaskan coastal plain fields may generate as many as 735,000 jobs.

Environmental campaigners argue that estimated economic benefits do not justify putting America's last undisturbed natural habitat at risk. Industrial development would threaten the 180,000-strong porcupine caribou herd that migrates across the coastal plain and into Canada twice a year, they say.

It would have the knock-on effect of destroying the Guich'in community, the indigenous people whose subsistence and culture is based on the porcupine caribou. "It is one of the unfortunate accidents of fate," says Scott Kearin of the Alaska Wilderness League, "that an area the oil industry thinks is very promising can't be developed without destroying the caribou herd. Caribou will never calve in an area that looks like New Jersey."

Twinning the refuge and the Canadian national parks is a proposal most environmentalists would like to see adopted, even though it does not meet their ultimate target of getting wilderness designation (which prohibits any future industrial development) for the ANWR coastal plain.

What they fear, however, is that the proposal will be linked with a lift on the export ban of Prudhoe Bay oil which is currently before Congress. The Clinton administration is understood to support lifting the ban, which would create an expanding market at a time of depleting reserves.

PEOPLE

BBC beams in two finance men

The BBC has brought in two new finance directors to help it fulfil its ambition to become a major international broadcaster in the satellite age.

Tony Kay, formerly deputy finance director of Granada/LWT International, has been appointed finance director of the newly-created BBC Worldwide TV, and Andrew Hind, director of finance at Barnardos, is joining the BBC World Service as finance and commercial director.

They both come under the umbrella of BBC Worldwide which was established in May and is headed by Bob Phillis, the BBC's deputy director-general, who is known for his interest in tight financial controls.

The aim of the new structure is to provide a fully co-ordinated approach for the first time to the BBC's international and commercial activities. BBC Worldwide has three separate divisions: Worldwide TV which is responsible for programme sales, co-productions and the BBC's news and non-news channels; Worldwide Publishing; and the World Service, the international radio service funded by the Foreign and Commonwealth Office.

Jeff Hazell, who was at World Service TV, has been appointed director of channel sales and marketing of BBC Worldwide TV. However, it is not clear whether a role will be found in the new organisation for Christopher Irwin, the former chief executive of World Service TV, the forerunner of BBC Worldwide TV. The BBC said yesterday that Irwin was still on leave and refused to comment on speculation that he would receive substantial compensation for loss of job.

Finance moves

■ **Peter Georgeu**, formerly head of consumer lending with Barclays Bank, has been appointed deputy md of WOODCHESTER CREDIT LYONNAIS.

■ **Martin Moyes** has been appointed a director of LAZARD BROTHERS & Co with responsibility for information technology.

■ **Michael Allen** has been appointed general manager of Banque KLEINWORT BENSON SA Geneva; he moves from the north American financing business. His predecessor Nicholas Haynes takes over as head of private client portfolio management in London.

■ **David Hughes**, formerly senior finance director and general manager, has been appointed finance director of BERRY BIRCH & NOBLE.

■ **Robin Birkett** has been promoted to md of LLOYDS Bowmaker's motorcycle finance division, RIGP.

■ **Robin James** has been promoted to director-in-charge of SINGER & FRIEDLANDER's Isle of Man operation.

Brian Yates: the new consumers' champion

The new chairman of the Consumers' Association, publishers of Which and related magazines, is Brian Yates, a chartered engineer who runs a division of a Loughborough company making cranes and lifting systems.

With a brief interruption, Yates, 49, has sat on the Consumers' Association council since 1986, and has been chairman of the operating company for the past two years. The opportunity to chair the holding company arose when his predecessor, Phillip Whitehead, decided to run for the European elections in June. Both chairmanships are unpaid.

For those who would contend that the 37-year-old association has had its day, Yates, of course, has a ready answer. "We may not be testing pop-up toasters, but our relevance is undiminished," he contends, pointing out that there are plenty of battles to be fought on behalf of the consumer throughout the service industries. While testing will remain an important part of the association's work, the new chairman is also interested in using technology to "improve the delivery of information", for instance, via interactive terminals at shopping centres.

Yates reckons his manufacturing background is a considerable asset. "People often say the association is against the supply side of business. That is not true." He has worked at Morris Mechanical Handling for the past ten years, and is now on the board of the company that was sold to its management by Trafalgar House in May. He advises companies on ways of improving productivity through computer automation.

The CA is also poised to choose a new chief executive to succeed John Beishon, whose controversial term comes to an end when he turns 64 in November. An announcement is expected next month.

Electronic switches

■ **Steve Swift**, formerly vice-president of European operations for Dun & Bradstreet, has been appointed vice-president and md of PEOPLESOFT Europe.

■ **Brian Richardson**, director of commercial and industrial systems, has been appointed to the board of McDONNELL INFORMATION SYSTEMS GROUP and Ray Southam promoted to director of human resource systems, an MDIS new business unit.

■ **Daisake Koshima**, formerly president of Sharp Electronics of Canada, has been appointed chairman of SHARP ELECTRONICS (UK).

■ **Alan Smith**, formerly director, managed accounts at Siemens Nixdorf Information Systems, has been appointed strategic partner group director at INFORMIX.

■ **Philip Wilson**, formerly international business development directors at Granada Computer Services International, has been appointed md of DCM Services.

■ **John Morse** (below) has been appointed director of HONEYWELL's industrial automation and controls division.

ARTS

Television/Christopher Dunkley

The power of pastiche

A man slumps at his desk, squeezing his temples and grimacing. Clearly he has a headache. A woman in a white coat approaches from behind. "Tense, nervous headache?" she asks, taking a brochure from the desk drawer. "You could choose a leading brand of painkiller or" – giving the man an almighty whack round the ear with the book – "you could choose from thousands of First Choice Holidays!" Well it made me laugh. So did the commercial where the dialogue goes "Is it a bird?" "No, it's a plane!" "No, it's a fat chef!" because clearly the object flying through the air is a fat chef. This is one of a series so successful that they have actually lodged

Watching advertisements certainly brings home certain truths

their punchline in my memory. Since I can never remember which product a commercial is for, even when I enjoy the joke (for instance the one where the "bouncing bomb" union flag towel gets to the sun lounger ahead of the German tourists; gloriously politically incorrect, but which beer?) this seemed quite an achievement... until I realised they had taught me "Pay attention, Medomsley Road, Consett" but failed to lodge in my mind the name of the crisps which are made there.

My current favourite among the ads is the series where various middle aged men – one overhearing himself discussed in the men's washroom, another undergoing an operation – mime to the Nat King Cole recording of "Let's Face The Music And Dance". I re-wound the tape to check on the advertiser which is Allied Dunbar pensions and life assurance, hence the importance of the line "There may be trouble ahead". And do these enjoyable ads have anything in common? They do: all are pastiches of well known television items. "Tense, nervous headache?" was for years used by a branded analgesic (heaven knows which). "Is it a bird? Is it a plane?" is meant to produce the response "No, it's Superman!" And the miming, in style, music period, and particularly the hospital setting, is clearly a tribute to the late Dennis Potter.

Enjoyable as they are, however, those commercials are the exceptions. Since the summer schedules are stuffed with so many repeats and duff programmes it seemed a good moment to check on those bits of television where the critic usually hits the "Fast Forward" button: the commercial breaks. Flashing through the tapes, zapping out the programmes and watching only the advertisements certainly makes a change, and brings home certain truths. We know, of course, that production values are often high in the breaks, after all people can spend as much producing 30 seconds here as on 30 minutes of programming. But it is startling to find how much is old or even very old, and how much is infuriating and counter productive.

Given the whiz-kid image of the ad biz, and the impression advertising people like to convey that all new trends spring directly from them, it seems astonishing that the talking chimps are still promoting PG Tips. They began in 1956. In concept and gentleness of humour virtually nothing has changed in 38 years. If the series does ever end (and no doubt somebody is already campaigning for the rights and dignity of chimpanzees) it will leave an unfillable hole.

In 1959 Domestos was undertaking to "kill all known germs in an hour". In 1994 it is offering to "kill all known germs anywhere". After 40 years detergent manufacturers are still comparing the grey laundry of their competitors with their own dazzling whites. The first cat named Arthur stuck his paw in a tin of cat meat in 1967; last week another white cat named Arthur was still doing it. It is 30 years since Esso urged us to "Put a tiger in your tank" and today the tiger is racing across crumbling ice floes (why?) to get to an Esso station (why, if as we are told the big petrol companies routinely use supplies from one another's tankers?) And the umpteenth pretty woman is giving head to Cadbury's Flake.

Concentrating on the commercials you also notice how often they try to baffle you with science. Remember "WM7"? That was Omo's secret ingredient in 1963. In the past few days products have boasted of "pro vitamin B5" of a "hydromat complex", and of a "unique hydroxy formula". Others offer "time release freshness" or "anti-static agents" and, in the case of a razor, "micro fins". All of a sudden every toothpaste manufacturer is promising that the product is stuffed with bicarbonate of soda. So what? And why, anyway, is quite so much television time currently occupied by advertising for toothpaste, toothbrushes, denture fixative and so on? Do we pay more attention to our teeth in the summer?

The claims in those ads are, mostly, merely ludicrous. There are others, for companies with which many of us are familiar, that may actually turn many viewers against them. How dare the AA, for example, claim "To our members we're the fourth emergency service", thus attempting to appropriate public esteem for ambulance crews and firemen? Remembering how long you have sat in the rain waiting for the AA to arrive, this campaign is enough to drive you into the arms of the RAC. Similarly, if there was any alternative to the Post Office most of us would surely take it after our experiences in waiting to buy a few stamps, or being refused a tax disc on a Saturday morning. So to be told repeatedly that the Post Office is "part of everyday life" is enough to make you spit with fury. And what makes anyone imagine that Bob Hoskins being coy and gnomic, even if he does have the estuary accent which is now mandatory for commercials, is going to make us use the phone more? We know what it is already costing us.

Nor is it just a question of service organisations. In view of recent revelations about The Body Shop, the commercial for American Express which consists of Anita Roddick being all green and feminist and third world seems a teeny bit unfortunate. Commercials surely cut both ways. There is little informational advertising on television: overwhelmingly it is concerned with brand awareness and market share, and it depends heavily upon the predisposition of the viewer. If you begin with deep reservations about the treatment dished out to the public by high street banks or major airlines, then their television advertising, far from changing your mind, is likely to reinforce your feelings. Now that Nicole (she with the oh-so-stupid "Papa") has allowed us to see her taste in underwear, why should any of us trust her taste in motor cars?


Tense, nervous headache? Never mind the product, enjoy the commercial break...

Jazz/Garry Booth

Julian Joseph

It says something about Julian Joseph's energetic piano playing that, at 28 and with only two records behind him, he can already draw a sizeable crowd to the Barbican Hall on two consecutive nights. He came up in the late 1980s crop of young British jazz musicians which included Courtney Pine and Steve Williamson and like them his style is coruscating hard bop tempered by a more contemporary sound. Reggae shines through Coltrane for Pine, for Williamson it is funk and Joseph likes soul.

But Joseph's irrepressible urge to swing his quartet is what really sets him apart. Once seated at the keyboard he simply cannot wait to push a tune along. On Sunday he started out with a trio, a vigorous three cornered work-out with Wayne Batchelor (bass) and Mark Mondesir (drums). Mondesir is the most combative drummer and engaged Joseph in some serious hand-to-hand, the pair grinning at one another wickedly throughout. Using his own material from the albums, Joseph took the substance of a good tune and worried it with percussive repetition until it was in the most satisfying shreds.

When the barnstorming trio returned after the interval with a seven piece brass section clipped on one side and six reeds on the other, you felt seatbelts might be in order. Packed with top flight soloists – Guy Barker (trumpet), Peter King (alto) and Keith Waithe (flutes) – this orchestra soars. Joseph is new to big band orchestration but clearly it suits him. His arrangements on standards unfolded carefully and in a cool way but allowed for soloist's aerobatics between. "Everything Happens To Me" featured Peter King at his most nimble and allowed Joseph a slot to serenade before revving up the ensemble again. Marcus Miller's "The King is Dead" used a poignantly still duet between Barbara Wyllie's clarinet and Jamie Talbot's soprano before taking off into the blue yonder; "High Priestess" had Guy Barker, Peter King and Patrick Clahah (tenor) out front, issuing slippery harmonies.

In October Joseph hosts the first Wigmore Jazz Series in London and in November tours his extended group, The Forum Project. The third album is due next year. On the strength of this weekend's display, we have much to look forward to.

Edinburgh Festival/Clement Crisp

Miami City Ballet

Ballets die each time the curtain falls. Every performance after the first night is an act of erosion, albeit also one of exploration, as dancers and public come to understand what the choreography is saying. A revival is an act of betrayal, as the egos of producers, coaches, dancers, have their way with the text, declaring that the creator wanted this, that he intended that – with no two authorities ever in accord.

How then to preserve ballets, to save masterpieces for the future in something like their original form? It is a question to which Miami City Ballet has provided some fascinating answers in its programmes of Balanchine ballets at the Edinburgh Festival this year. The troupe is only in its ninth year but it is directed by Edward Villella, a star of Balanchine's company for two decades. He has transmitted to his artists his reverence for Balanchine as a creator, together with something of his own power and vitality as a dancer.

So the company shows Balanchine ballets with a verve and a freshness which make every step seem vital, restoring that freshness of impetus, that sense of committed energy, which is the life-blood of the Balanchine manner. They are not so polished as New York City Ballet casts, but nor do they look as glossy in manner. For them, dancing Balanchine is a journey of discovery – of themselves as artists quite as much as of the ballets. They are not coherently schooled, yet variety of training brings a savour of individuality to illuminate the choreography. Most important, Villella and his coaches have inspired casts to dance these masterpieces as if they were new.

And new-minted, freshly exciting is how the ballets looked in performance last week as the Miami season ended at the Edinburgh Playhouse.

A quadruple bill brought *Serenade*, *Four Temperaments*, the *Tchaikovsky pas de deux*, and *Western Symphony*, danced to the hilt. I did not suppose that, after all these years, *Serenade* could look so youthful. But Maribel Modrono, Myrna Kamara, Sally Ann Isaacks and their colleagues darted and sailed on the music's pulse as if hearing it, and being inspired by it, for the first time. It was, in the best sense, urgent, and their joy was our joy. *Four Temperaments* was strong in flavour, bright in outline. A remarkable young Chinese dancer, Lin Zhen, sunk deep into the troughs of the Melancholic variation. Christopher Roman made much of the broken outlines of the Phlegmatic writing. These performances, and Myrna Kamara's raging force as the Choleric humour, were authentic, splendid.

What MCB showed us, as it did in its newest acquisition, *Western Symphony*, was Balanchine danced with the love, dedication and understanding which can, despite all the odds, still guarantee the continuing life of choreography in the theatre. Miami's energies may sometimes seem a little raw, but Balanchine reproached polite dancers in class by asking: "What are you saving yourself for?" Miami's dancers do not save themselves for a second. They dance for Balanchine, and they are splendid.

The musical standards of this visit have been high, the Royal Scottish National Orchestra playing each score lovingly under Akira Endo's baton.

MCB's visit was sponsored by Hertz.


Myrna Kamara in Balanchine's 'Serenade'

Humane observations

Martin Hoyle enjoys 'More Cuddles Now' on the Edinburgh Fringe

The perceptibly larger share of drama claimed by gay themes at this year's Edinburgh fringe still leaves room for old friends like Jack Klaff, whose acute and humane observations on the way of a man with a maid (and vice versa) can be seen at the Assembly Rooms. *More Cuddles Now* has all the Klaff virtues: a wicked ear for the banalities of dinner-party profundities, the quickfire kaleidoscope of clichés behind which we almost but do not quite hide, and the self-sustaining jargon with which we salve hurt pride – "You're really forcing the pace," says the disgruntled man when the woman is offered a high-powered job in his field. "We should have a discussion about how fast we're to walk."

Klaff portrays all the characters, not as an impersonator but as a sketcher with a lightened tone and economic body language. The central thread is the relationship between Mike, of Aldwych Films, and Kim, who comes to him with an idea for a film on children and art. Growing attraction is charted, with Klaff's customary amusement at external cool and internal turmoil, hopes, fears, agonising self-consciousness. ("This woman hasn't blinked for twelve minutes" is one desperate inner comment).

He fancies himself, she gushes. Their affair is fondly chronicled ("unique... never been able to *talk* to anyone before"), the living together and clashes over life-style ("I don't think you know what pastel means!" "For me pastel is girlie"). Rifts and rows prompt a ventriloquial episode with a squeaky-voiced quark that takes the place of conscience for both partners. Towards the end, kids, serenity and the death of Kim are telescoped into a bumpily-attained happy ending: "We showed them. We made it!"

Klaff's satire on how the sexes communicate is as affectionate as ever without losing its bite. His repertoire now includes a monstrous id, apelike and bellowing, inside Mike, providing a counterpoint to the careful political correctitudes he comes out with, not always for the most correct of motives.

Funny thing, relationships... Also at the Assembly Rooms 7:84 Scotland gives the premiere production of *Twilight Shift* by Jackie Kay. Kay is a considerable poet, and her heightened sense of language (even including rhymed couplets at times) permeates the play. It all adds to the unreality of this study of a gay relationship in a small mining community.

It is any sense of that community which is lacking, however. There is no feeling that Joe, the homosexual barber, has ever faced hostility or the need to conceal what he is, though the audience is evidently meant to take this for granted. Steven Wren plays him as uncomplicatedly cheerful as opposed to the tortured emotional writhings of his secret lover, Alexander, a married man with a child.

The cast of four is completed by the two men's womenfolk, grandmother and wife respectively. Deirdre Davis's Ella is intelligent and touching as she perceives her husband growing away from her. Her tendency to compare herself with the heroine of *Middlemarch* (the book, Penguin edition, mark you, not the television serial) I attribute to the traditional superiority of Scottish education in even small mining communities. The climax is wildly contrived – the revelation of a love between the fathers of Joe and Ella – and only just avoids melodrama.

Iain Reekie's direction is intense, spare and stylised, except for some rather glassy-eyed fondling for the men. The recorded poem of a child mineworker is beautiful. But then the play is the work of a poet, whose characters are explored in a vacuum rather than the fully depicted world of a natural dramatist.

INTERNATIONAL
ARTS GUIDE

FESTIVALS

■ BAYREUTH

Final performances of this year's new Ring production are tomorrow (Siegfried) and Sat (Götterdämmerung). It is staged by Alfred Kirchner, designed by Rosalie and conducted by James Levine, with Deborah Polaski as Brunnhilde, John Tomlinson as the Wanderer and Wolfgang Schmidt as Siegfried. The festival ends on Sun with Heiner Müller's staging of Tristan und Isolde, conducted by Daniel Barenboim, with Siegfried Jerusalem and Waltraud Meier in the title roles. Wolfgang Wagner, the composer's grandson and festival director since 1951, celebrates his 75th birthday next Tues. There will be no new production at next year's festival, which will open with a revival of Wolfgang's 1985 production of Tannhäuser. (0921-20221)

■ BESANCON

Besançon is best known in the musical world for its conductors' competition, but this has now been turned into a biennial event. However, the annual music festival has developed a momentum of its own, reflected in the high calibre of artists on this year's programme (Sep 2-16). The opening concert is given by the Pittsburgh Symphony Orchestra under Lorin Maazel. Other visiting ensembles include the Dresden Staatskapelle with Colin Davis, Il Giardino Armonico in a baroque programme and the Hungarian National Philharmonic Orchestra. Recitalists include Matt Haimovitz, Michel Dalberto and the Alban Berg Quartet (8181 8226)

■ LINZ

The annual Bruckner festival in this Austrian town (Sep 11-Oct 2) opens with Riccardo Muti conducting the Vienna Philharmonic in Bruckner's Seventh Symphony. Giuseppe Sinopoli conducts the Philharmonia Orchestra in two concerts, and Semyon Bychkov conducts the Orchestre de Paris in Bruckner's Ninth. Marek Janowski conducts a concert performance of Wagner's Lohengrin, with a cast headed by Peter Seiffert and Eva Johansson. Other visitors include the Hagen Quartet, Christian Zacharias, Simon Estes and Mauricio Kagel. The final two concerts are given by the London Philharmonic under Franz Welser-Möst (Brucknerhaus-Kasse, Untere Donäulande 7, A-4010 Linz. Tel 0732-775230)

■ SALZBURG

OPERA/THEATRE
This year's festival winds up over the coming week. In the Grosses Festspielhaus, there are final performances tonight and Fri of the new Barenboim/Chéreau production of Don Giovanni, with a cast headed by Ferruccio Furlanetto, Bryn Terfel and Catherine Malfitano. Boris Godunov, staged by Herbert Wernicke and conducted by Claudio Abbado, can be seen tomorrow with Samuel Ramey in the title role. The new Stravinsky double bill - staged by Peter Sellars, conducted by Kent Nagano and designed by an avant-garde team of German architects - can be seen on Sat evening and Tues afternoon, with a cast including Agnes Baltsa and Thomas Moser. Chris Merritt, Ann Murray and Susan Graham star in La clemenza di Tito tonight, Fri and Mon in the Kleines Festspielhaus. Deborah Warner's production of Shakespeare's Coriolanus is performed on Fri, Sat and Sun afternoons in the Felsenreitschule, with Bruno Ganz in the title role. Botho Strauss' play Das Gleichgewicht (Equilibrium) runs daily till Sun at the Landestheater.
CONCERTS
Pierre Boulez conducts the Vienna Philharmonic on Sat morning in works by Debussy, Ravel, Stravinsky, Webern and Berg, with soprano soloist Felicity Lott. Seiji Ozawa conducts the Saito Kinen Orchestra on Sun morning in Stravinsky and Shostakovich, and Claudio Abbado conducts the Berlin Philharmonic on Sun evening (Mahler's Ninth) and Mon at 18.00 (Russian programme). Georg Solti conducts the Vienna Philharmonic next Mon late evening and on Tues in a Wagner, Strauss and Beethoven programme, dedicated to the memory of Karl Böhm. The final concert next Wed is given by the Pittsburgh Symphony Orchestra under Lorin Maazel.
● Festival Box Office: 0662-844501. Polzer Ticket Centre: 0662-843685.

■ TURIN

Turin's annual music festival, Settembre Musica, opens on Sep 3 with a concert at the Teatro Regio by the Vienna Philharmonic Orchestra conducted by Riccardo Muti, featuring symphonies by Mozart and Beethoven. Other highlights of the festival, which runs till Sep 22, include performances by Steve Reich and Musicians, the Dowland Consort, the Royal Concertgebouw Orchestra under Riccardo Chailly and the London Symphony Orchestra under Michael Tilson Thomas. There will also be concert performances of Gluck's Orfeo and Debussy's Pelléas et Mélisande (011-562 0450)

■ UTRECHT

The Holland Festival has organised a week of early music events in Utrecht from August 26 to September 4. Friday's opening concert of Rameau and Mouret is given by Les Musiciens du Louvre conducted by Marc Minkowski, followed on Saturday by a Lully choral and orchestral programme conducted by Hervé Niquet. Sunday's concert by Concerto Italiano features madrigals by Lassus. Other highlights include a Mozart and Haydn concert on September 3 with the Orchestra of the 18th Century conducted by Gustav Leonhardt, and a Charpentier programme the following evening, played by Les Arts Florissants under William Christie. Most events take place at the Vredenburg concert hall (030-340921)

■ WARSAW

This year's Warsaw Autumn contemporary music festival (September 15-24) offers tributes to three recently-deceased Polish composers - Witold Lutoslawski, Andrzej Panufnik and Roman Haubenstock-Ramati. Anne Sophie Mutter is violin soloist (Sep 16) in a programme devoted to Lutoslawski, who was for many years a leading light of the festival, and composed several pieces specially for Mutter. Antoni Wit conducts the Polish Radio Symphony Orchestra in Panufnik's Sinfonia di Sfere (Sep 18), while Klangforum Wien devotes a whole programme (Sep 19) to Haubenstock-Ramati, who was music director of Cracow Radio in the late 1940s, before emigrating to Israel and later settling in Paris and Vienna. The younger generation of Polish composers is represented in a lunchtime programme on Sep 17 entitled Hits from the Sixties to the Nineties, featuring the Nonstrom Ensemble and Silesian String Quartet. Among the foreign composers represented at this year's festival are Henri Dutilleux, Magnus Lindberg, Bright Sheng, Salvatore Sciarrino, Elliott Carter and Cornelius Cardew. Festival office: Warsaw Autumn, Rynek Starego Miasta 27, 00272 Warsaw, Poland (tel/fax 022-310607). During the period Sep 12-25, all enquiries to Warsaw Autumn, Hotel Europejski, Krakowskie Przedmiescie 13, Warsaw (tel 022-265051 fax 022-261111)

■ WEXFORD

● This year's festival runs from October 20 to November 6. The three operas chosen by Elaine Padmore for her final year as artistic director are Anton Rubinstein's The Demon, Ruggero Leoncavallo's La boheme and Wagner's Das Liebesverbot.
● The Rubinstein work will be conducted by Alexander Anissimov and staged by Yefim Maizel, and the cast will be headed by Anatoly Lochak and Alison Browner. The Leoncavallo will be conducted by Albert Rosen and staged by Reto Nickler, with a cast headed by Jungwon Park, Magali Damonte and Jean-Pierre Furlan. The Wagner will be conducted by Yves Abel and staged by Dieter Kaegi, with Robert Holzer as Friedrich.
● There will be a symphony concert by the National Symphony Orchestra of Ireland, recitals by the Moscow Piano Trio, the Alexander Quartet and Alison Browner, and a performance of Brahms' German Requiem. The festival is renowned for its exquisite small theatre, its elegantly economical productions and the welcome which the Irish coastal town of Wexford gives to its festival visitors. Booking from Wexford Festival box office, Theatre Royal, High Street, Wexford, Republic of Ireland (053-22144)

ARTS GUIDE
Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals guide.
Thursday: Festivals guide.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV
(Central European Time)
MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

UK needed at the heart of Europe

PERSONAL VIEW

Recent events in Europe – from the argument over the successor to Jacques Delors as president of the European Commission to the fate of war-torn Bosnia – have highlighted the difficult evolution of relations between the continent's nation states. There is a growing tendency to form alliances between European Union members on the basis of national interests.

Germany and the UK are promoting deregulation. UK foreign minister Mr Douglas Hurd and his French counterpart Mr Alain Juppé have taken the lead in trying to find solutions for Bosnia. Mr John Major and Mr Silvio Berlusconi have compared notes on European policy. And there is always Franco-German co-operation, said to be the motor of European integration.

As in any community, this tendency for shifting alliances within the EU can be healthy – as long as there is a basic consensus within the EU on objectives. In these times of political and economic reorientation it is of paramount importance for the EU to maintain this consensus and develop it further.

It is reassuring to see the UK playing an active part in this process – after a period of concern that its position could become increasingly defensive.

For industry it is encouraging to note that the UK government has identified the search for measures to establish a competitive framework for European companies as one of its priorities. Deregulation, dismantling the bureaucracy and privatisation in key sectors, such as energy and telecommunications, are in our mutual interest, be it on a national level or in Brussels. Here we have classic British-German co-operation, as in the attempt by the two countries to find strict criteria for subsidiarity within the EU.

The principle of subsidiarity is basic to the functioning of markets and – in a broader sense – for democracy, as we in Germany know from experience. But we must also realise that there are limits to subsidiarity in any community, particularly in areas that are crucial to industry, such as environmental policy or export controls on weapons and the technology of mass destruction.

The UK has decided to opt out of the social chapter of the Maastricht treaty. It seems doubtful that this decision is really in the interests of the country, and of its industry in particular. We cannot avoid a discussion with other EU countries on social policies, as is illustrated by the recent debate on the misconceived works council directive. It is always better to try to influence decisions that may have consequences for British industry than just to stand aside.

Recently, the Confederation of British Industry presented its business agenda for Europe. German industry is in line with most of the CBI's priorities. We underline the importance of the completion of the single market as a big achievement and the linchpin of the EU. We also agree with the CBI's proposition that Europe's future cannot simply rest on free trade or the single market.

The Maastricht process is far from perfect, but it is a credible attempt to develop the Union

Because our industries are increasingly global, we know that our home base, the EU, is central to our competitiveness. Economic convergence cannot be achieved simply through macroeconomic policies and should not be hastily arranged for political reasons. Stability, predictability and favourable conditions throughout the Union – in monetary policy, interest rates and exchange rates – are of great importance for our companies. The Maastricht process is far from perfect, but it is a credible attempt to take the Union forward. Economic and monetary instruments should not be misused to promote policy objectives that would not otherwise be implemented. But would it not be in the interest of our companies if the single market were complemented by a European Monetary Union – provided, of course, that monetary stability is guaranteed?

German-based companies are increasingly adopting European strategies and even identities. They are already pursuing their own vision of a united Europe. Various national interests could get in their way, as politics in Europe is trailing far behind. It is in the interest of European industry to strengthen – and to deepen – co-operation, be it economic and monetary policy, foreign and international security policy, or the co-ordination of internal policies such as crime control. It is also in the interest of European companies to develop a trans-European infrastructure. This is true for information technologies which are at the heart of our future competitiveness. We must think beyond national borders and establish new European structures vigorously. Equally important is an improved transport network. Though the UK has no land link with the rest of the continent, this geographical insularity should not detract from its interest in a modern infrastructure that would benefit both continental and UK distributors.

We should be realistic about what can be achieved in the process of integration and how serious the temptations for misguided quick fixes are. This is particularly true for the European monetary union which has so far not been properly thought out and suffers from an ambitious, possibly unrealistic schedule.

But there is no reason to disbelieve that one day the UK, along with Germany and others, will be part of a monetary union.

We must be careful not to follow obsolete concepts of national interests and shifting alliances between nation states. This is a challenge for all, but a particular one for those who consider themselves the great architects of Europe. The UK should be among them.

Dr Ludolf von Wartenberg

The author is director-general of the Federation of German Industries

Hard test at end of a crash course

After a decade of fast growth, the UK university system is examining its future, says John Authers

"This is even worse than doing the exams," said Alison, a nervous school leaver from Sussex, yesterday. She was waiting for the listing today of UK university places that were not filled when last week's A-level results were unveiled.

Her concern was understandable. After a decade in which the number of university places on offer has increased each year, this autumn the numbers admitted will be the same as in 1993. Having seen student numbers double since the early 1980s, UK universities are at last slamming on the brakes.

Admissions tutors are limiting the number of entrants mainly because the government has given them no choice. Universities will be given less state funds per student if they allow the number they recruit to rise by more than 1 per cent this year – the first time in recent years that they have been penalised for growing too fast.

Many universities object to the government's methods, which they consider unnecessarily heavy-handed. The Committee of Vice-chancellors and Principals, which represents university heads, said the cap on admissions could mean a "massive denial of opportunity" for students. They blame ministers for not anticipating how fast higher education would expand – and then over-reacting when they realised they had miscalculated.

When Mr Kenneth Baker, the then education secretary, announced in 1989 a push towards a system of "mass higher education" he set a target of 30 per cent of 18 year-olds entering university by 2000. That target was passed last year.

But there is a growing acceptance among universities that, even without government intervention, they would be best advised to consolidate for several years.

To do otherwise, the committee has been warned by higher education experts, would risk exacerbating already serious funding problems and compromise quality. It would also run the risk of flooding the labour market with graduates.

The number of universities has almost doubled since 1992 thanks mainly to the upgrading of polytechnics, which were previously funded by local education authorities. There are now 89 UK universities, 41 of which have gained that status since 1992.

New universities have expanded fastest. De Montfort University, formerly Leicester Polytechnic, is the fastest-growing university in western Europe. In the 1986-87 academic year it had 8,000 students. By 1993-94 that figure was nearer 18,000 and by the end of this year should reach 25,000.

Almost inevitably, growth on this scale has brought funding problems. The amount the government pays to universities per student (excluding maintenance grants) has dropped by more than 30 per cent since 1980 in real terms, and the government is looking for a further fall of 10 per cent over the next three years.

Even in the longer term, a report by Professor Gareth Williams and Dr Heather Fry of London university's Institute of Education warns vice-chancellors not to expect any increase in government funding. They point to Organisation for Economic Co-operation and Development figures which show that UK state funding for education as a proportion of national income is higher per student than in any other western nation.

The effects of reduced funding are already being felt in more crowded lecture halls. Five years ago there were 10.6 students to every lecturer; now there are 14, according to the Association of University Teachers.

Meanwhile, claims the vice-chancellors' committee, higher education institutions have not been able to keep their buildings up to standard and need £1.35bn just to clear the maintenance backlog.

The experience of Germany suggests that rapid expansion of higher education can jeopardise quality, as well as adding to financial pressures. German universities were once as exclusive as the UK system, catering for only 5 per cent of young Germans in the 1960s. Now the figure is 30 per cent.

Of these, 40 per cent drop out within the first two or three years without qualifications. But about a third stay for more than seven years. That suggests the system has not been able to cope effectively and efficiently with the increase in numbers and is wasting resources.

Some UK academics fear the reduction in state funding per student has already affected the country's academic standards. Earl Russell, a Liberal Democrat peer and history professor at London university, has argued that undergraduates, unless they have rich parents, are forced to work during term time and so spend less time on studies. He sparked controversy by adding that as a result: "Academics, often unconsciously, have lowered their requirements for work to what their students are able to do, so that an Upper Second in 1992 may involve less work than a Lower Second in 1984."

Vice-chancellors deny that this has happened, but the proportion of students at "old" universities (that is, excluding former polytechnics) being awarded first-class honours degrees has risen by 50 per cent over the past decade, even though a much larger proportion of the population is sitting degree examinations. That implies quality might have been diluted.

The Institute of Education's report also warns that the increase in institutions awarding university degrees could affect quality: "So far the system has been able to sustain the credibility of the doctrine that all degrees are formally equivalent if not exactly equal. At issue for the future is the extent to which this belief will remain convincing, and if not what will replace it."

The rapid expansion of higher education is not necessarily good news for students either, when they start looking for jobs. With twice as many graduates entering the job market each year, a degree cannot guarantee the same opportunities as a decade ago.

According to the Institute's report, "graduates will need to accept career patterns" which are "markedly different from those of the past . . . It is not clear that most students have yet come to terms with this change in prospects."

Experience from the US, where the number of students graduating each year has trebled since 1961, suggests that employers will adjust recruitment practices accordingly.

The Institute of Manpower Studies, based at Sussex University, found that after increasing steadily throughout the 1960s, US real starting salaries peaked in 1969 (at $25,288 in 1990 prices), and then dropped by 16 per cent over the next two decades, to $21,319 in 1990.

Meanwhile the proportion of US graduates accepting jobs for which a degree was not a requirement rose from 11 per cent in 1969 to 20 per cent in 1990. This is projected to reach 30 per cent by 2005.

Similar trends are already emerging in the UK. Graduate unemployment is at record levels, while starting salaries failed this year to keep pace with inflation for the first time since records began in 1980, according to the Higher Education Careers Services Unit.

Traditional graduate recruiters, such as accountancy firms, continued to offer attractive salaries, according to Mr Colin Lawton, the unit's statistical assistant, but the average was being dragged down by smaller companies which had not recruited graduates before.

By holding numbers constant this year, universities should be able to create a breathing space in which to address such problems. That will require examining the service they can offer in an increasingly "mass-market" higher education system, and the trade off between quality and quantity when resources are limited.

As Mr Baker observed in 1989: "The structures appropriate to higher education with 3 per cent participation, or even a 13 per cent participation, simply cannot be sustained when participation rises to 30 per cent."

LETTERS TO THE EDITOR

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Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Widespread support for blank tape levy

From Mr Wayne Bickerton.

Sir, Emma Tucker ("Blank tape prices may rise if EU supports levy plan", August 18) makes several misguided predictions about the effects of the European Commission's proposal to protect music copyright through a Europe-wide levy.

Though the government has opposed this initiative in the past, the Music Copyright Reform Group, which represents those who create, own, publish or administer copyright music or lyrics, has found widespread support for the proposal among backbenchers of all political parties. Indeed, harmonisation of private copying legislation in the EU has even been welcomed by blank tape manufacturers.

The suggestion that a levy would "punish ordinary consumers" is not borne out by the experience in other European countries. In France, Germany and Austria, prices have fallen after the introduction of the levy due to intense competition between blank tape manufacturers. We believe that a reasonable levy for audio tapes could and would be fully absorbed by the blank tape manufacturers, who have benefited enormously from the public's ability to copy copyright music (research shows more than 90 per cent of blank tapes are used for this purpose).

The proposals would not be bureaucratic, as suggested, since the organisation necessary to administer the distribution system for the levy exist in the UK. Nor would the blind and other disadvantaged users of blank tapes be hit as the proposal allows member states to exempt or compensate them.

The UK government should realise that the proposed levy aims fully to compensate composers and music publishers for widespread, illegal private copying of pre-recorded music. The MCRG hopes that ministers will give their full support to protecting the interests of the UK music industry which plays such a vital role in the heritage of the UK and Europe.

Wayne Bickerton,
Music Copyright Reform Group
London W1P 4AA

Highest ethical principles always upheld

From Mr T Gordon Roddick.

Sir, We would like to respond to a number of points made in Andrew Jack's article on The Body Shop ("US ethical fund turns against Body Shop", August 19).

There were no "emissions" from our former New Jersey "factory". Rather, there were two accidental spills of 30 gallons of shampoo at our former bottling plant two years ago. In line with our policy, we immediately notified the authorities. There was no breach of environmental law, no citation, no "emissions". I'm sorry that we spilled some shampoo, but whenever there are human beings around, there will be minor accidents. The reference to "oil-based ingredients" is perplexing: perhaps the Financial Times was referring to mineral oil. If so, then you should be aware that this is the same ingredient which has been slapped on babies' bums for generations in England without adverse effect!

The accusation that I find personally most offensive is the suggestion that we lack "commitment" to our trade-not-aid programme. No one should doubt our commitment. Some of our critics' arguments about trade-not-aid centre around a percentage game that misses the point. They say that, because our trade-not-aid purchases form only a small percentage of our total, we should not talk about it nor have prominent displays or window posters relating to it.

We say that trade-not-aid is a very important part of our business, on which we spend a disproportionate amount of time and money. Let me give one example of how it works with one ingredient: Brazil nut oil is pressed in the Amazon jungle by Kayapo Indians. We use the oil in our Brazil nut conditioner. It comprises 1.5 per cent of total product volume, making it an insignificant percentage of the total ingredient list. We use 1.5 per cent because it is what works: use less and it would be ineffective; use more and your head would look like an oily mop. Financial and managerial efforts on these many projects far outweigh their naked value to us.

As for the supposed lack of public information, we publish our product information manual in every store worldwide giving facts about ingredients and their properties. We are at the forefront of companies in Europe in listing ingredients on our product labels, though not yet required by law. For the third year running, we have voluntarily published an independently verified environmental statement in our Green Books. We make explicit our stance on animal testing. I sometimes think we overdose on providing information.

We will continue to develop our business with the highest of ethical principles. This is why we recently institutionalised our values in amending our memorandum of association, passed by our shareholders at the recent annual general meeting. This is why we have set up the Values and Vision Centre uniting our Against Animal Testing, Environmental, Fair Trade and Human Rights departments in a group working directly with Anita. This is why we published our company mission statement, and soon will publish our trading charter. If this, and what we have done over the past 18 years, is not good enough for the cynics, that's their problem – not ours.

T Gordon Roddick,
The Body Shop International,
West Sussex, BN17 6LS

Not against the Body Shop

From Mr Patrick McVeigh.

Sir, On August 19 you carried a somewhat inaccurate headline to an article regarding our company's sale of The Body Shop's stock earlier this summer ("US ethical fund turns against Body Shop").

As you point out, one factor (of several) leading to our sale was a belief that negative allegations scheduled to be published in the US press regarding the Body Shop's ethical performance could hurt the company's stock price in the short term. We would like to clarify that at this time we are researching these allegations and do not necessarily share them. We are independently researching a report on the Body Shop's ethical performance, which we have not finished, nor have we reached any conclusions.

It is therefore inaccurate for the headline to say that Franklin Research & Development has "turned against" the Body Shop. While we have turned against the stock for a variety of reasons, we have not taken this same position towards the company.

If the results of our ethical analysis are positive and the company's stock were at an attractive valuation, The Body Shop would certainly be a company whose shares we would consider buying again.

Patrick McVeigh,
Senior vice-president,
Franklin Research & Development Corporation,
711 Atlantic Avenue,
Boston, MA 02111

Better a trading partner than a paranoid enemy

From Mr Karl A Ziegler.

Sir, As a London-based US citizen observing the Cuban situation, I agree with your leader's timely suggestions ("A new deal for Cuba", August 22).

It is absurd for US taxpayers to subsidise further a costly and militant posture against most Cuban residents, whose principal ambition is greater exposure to the "free world's" markets; its goods, services, ideas, tourists, institutions and its relative freedoms.

The anti-Castro lobby in Florida should take the lead in encouraging political and economic liberalisation within Cuba. History has shown that a paranoid enemy is usually more problematical than a co-operating trading partner.

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Wednesday August 24 1994

Mr Zedillo's long agenda

The candidate [illegible] Mexico's ruling Institutional Revolutionary Party, Mr Ernesto Zedillo, won [illegible] convincing victory on Sunday in the most competitive elections in Mexican history. He would be making a grievous mistake, however, if he interpreted that victory as a signal [illegible] should leave Mexico's political system unchanged.

Many voices in the ruling party will be telling Mr Zedillo that the wide margin of his victory means he should leave well alone. He should ignore them. Another six years of denying the political opposition a proper voice would serve only to intensify the strains which nearly took Mexico's body politic to breaking point this year.

His first gesture of conciliation to opposition parties is welcome. But given the tenacity with which the PRI has held on to power in its 65 years in office, Mexicans are sceptical of gestures. Mr Zedillo needs rapidly to take action.

A democratic system will only emerge if the ruling party is itself made democratic. Mr Zedillo can begin work before he takes office by embarking on reform of the PRI. This enormous task of disentangling the PRI from the structures of the state has frustrated his predecessors since 1985.

An integral element of the needed reform is to give to party members the right to choose candidates. This will deprive the president of an important lever for the management of the state, but is essential if the PRI is to be converted into a modern political party. Such reform has its dangers: the powerful and often undemocratic traditionalists may well take over parts of the party. However, if their candidates are forced to submit to free and fair elections for political office, the danger may be reduced.

Ensuring free and fair elections is therefore the next important reform. Although Sunday's elections were probably the fairest in Mexican history, it is clear that a substantial minority – with some justification – still considers the election process iniquitous. Elections must no longer be a source of such political conflict. The way to ensure this is to hand the entire electoral process – lock, stock and barrel – over to the independent magistrates who oversaw Sunday's elections. These magistrates, chosen by consensus among the political parties, performed admirably, but were appointed late and were limited in their powers.

This is only the beginning of the huge task Mr Zedillo will face if he is to follow up on his campaign promises to turn Mexico into a modern, law-based society. Decentralising the political system, reforming the legal system and the country's corrupt and inefficient police forces, and reforming the social security and health systems are all necessary. Efforts in these directions will bring him into conflict with some of the country's most powerful vested interests.

The new president also inherits an unfinished agenda on the economy. He must rid the private sector of many of the obstacles blocking growth. These include monopolies both public – oil, railways and electricity – and private – in particular, telephones. Eliminating the monopolies would greatly enhance economic efficiency. If growth were, partly as a result, to be 5 or 6 per cent a year, rather than the [illegible] 3 [illegible] achieved under the present administration, the country's [illegible] would be greatly eased.

Milk shakes

It hardly seems [illegible] six years [illegible] the best [illegible] to [illegible] country's [illegible], only [illegible] be [illegible] court [illegible] botching [illegible] job. The Dairy Trade [illegible] announced this week that it is seeking judicial review of the [illegible] efforts to shake [illegible] the milk market, which it claims threaten unnecessary price rises and job losses.

The Milk Marketing Board was at the heart of a cartelised system of UK milk provision which kept prices high and stifled innovation. Abolishing the MMB's monopoly over milk supplies and allowing processors to compete for supplies with the Board's successor, Milk Marque, was intended to reverse both effects. It has done neither.

What went wrong? The DTF's decision to seek a judicial review sounds like sour grapes. For the first time in 60 years, the dairy [illegible] year [illegible] bid [illegible] for milk, [illegible] only managed [illegible] third [illegible] what they required. Milk Marque signed up [illegible] the resulting [illegible] for supplies allowed it [illegible] push up prices. [illegible] complaint stemmed simply [illegible] members having lost [illegible] first round of playing under the new rules, it should be rapidly dismissed. The trouble is that the rules themselves are fundamentally flawed.

Any reform labours under two obstacles. First is that the UK's milk quota under the Common Agricultural Policy, currently 85 per cent of the country's needs, will always allow someone in the industry to make excess profits. The second is that, by failing to break up the old MMB into competing regional entities, the government has preserved a single body with a good chance of exploiting its position to share those profits with farmers at the expense of the processors.

The best way of reforming the milk market would, of course, be to abolish the CAP, although this is beyond the government's power. In the long run processors may turn to imports to make up their shortfall. But a quicker way of injecting flexibility into the current system would be to make milk quotas tradable across national borders. Meanwhile, the Monopolies and Mergers Commission might cast a fresh eye on the question of unfair competition closer to home.

Russian debt

[illegible] as night follows day, [illegible] growth [illegible] inter-enterprise [illegible] a credit [illegible] soaring indebtedness has happened [illegible], notably [illegible] 1992; it is [illegible] predictable result [illegible] attempts [illegible], if [illegible] government gives in [illegible] mail from enterprise [illegible], the problem [illegible] recur.

At [illegible] recently [illegible] Rbs90,000bn (£27bn), the [illegible] enterprises [illegible] accumulated with one another is spectacular. It is not surprising that the government's resolve is crumbling, notwithstanding its agreement with the IMF last March. President Boris Yeltsin has, for example, already agreed to grant Rbs3,500bn in low-interest credits to the [illegible] and heavy industry. More may follow.

Regardless [illegible] privatisation, [illegible] have [illegible] yet made the mental switch [illegible] supplying state-directed production, [illegible] fying paying customers. This, moreover, is [illegible] more benign aspect [illegible] story. Enterprises without owners, operating [illegible] a society without effective laws, [illegible] managers to privatise the gains and socialise [illegible] losses. Why not offer goods [illegible] credit, in [illegible] bribes, leaving the company [illegible] the debt and them[illegible] with [illegible] Or why not sell goods abroad, put the proceeds in a Swiss bank [illegible], leaving suppliers unpaid?

Managers confidently expect that the government will have to drop the needed cash from helicopters. Yet their enterprises, as large holders of cash, are themselves victims of inflation. Worse, the government will only [illegible] repeat the battle, in still more disadvantageous circumstances.

Targeted allocation of credits to high-priority industry is not [illegible] since nobody knows which the high-priority industries actually are. Even closing insolvent enterprises may be a big mistake, since in so distorted an economy, it is difficult to know which enterprises should be closed. Nor can a mechanism for netting out inter-enterprise debt play a useful role at least until its growth has been halted.

It can be halted, however, by forcing enterprise managers to manage their cash flows, as has been done in other economies in transition. The debt overhang should be left to one side, at least for the moment. Meanwhile, by refusing a bail-out, the government will create huge pressure for payment within the enterprise sector. There is money. Enterprises must simply be forced to use it.

Mass unemployment is the spectre that stops this from being tried. The government needs to lay this ghost, by telling people that producing goods that are not wanted or, if wanted, are not paid for is unemployment. In addition, any money must go directly to workers, either as unemployment benefit or as payment for short-time working. It must not just be dumped on the enterprises.

This [illegible] has arisen partly because the stabilisation lacks credibility where [illegible] counts and partly [illegible] enterprises [illegible] in limbo, subject neither to the control [illegible] state nor to that of owners. State control cannot [illegible], while ownership will [illegible] time to establish. In the meantime, enterprises must be compelled to look after their cash flows. The printing press is not the answer.

Tonic for fickle tastebuds

New Age soft drinks and own-label colas are posing a challenge to market leaders Coke and Pepsi, says **Richard Tomkins**

For as long as anyone can remember, more people have quenched their thirsts with a Coca-Cola or its closest imitator, Pepsi-Cola, than any other soft drink money can buy. Together, they account for more than 50 per cent of all the carbonated drinks consumed worldwide. And yet... is it just possible that some of the fizz is going out of the market for two of the world's best-selling products?

In the US, which [illegible] accounts for a third of the world market for soft drinks, consumers are showing signs of getting bored with Coke and Pepsi. These days, they want wider variety. Cola-flavoured drinks are slowly losing market share to new types of beverages such as iced teas, fruit drinks, bottled water and energy-giving sports drinks. In the late 1980s, according to US securities firm Salomon Brothers, colas took 63 per cent of the US soft drinks market. Last year, the figure [illegible] down to 58 per cent.

But alternative beverages are not the only worry for Coke and Pepsi. Until recently, the biggest threat Coca-Cola and PepsiCo, the com[illegible] that makes Pepsi, faced was [illegible] other. Now a bigger one seems to have emerged: the possibility that private-label manufacturers are taking an increasing share of a market that is in any case shrinking because consumers' tastes are changing.

At first sight, this proposition seems to be supported by PepsiCo's latest financial results. Its second-quarter profits this year were $447m – excluding exceptional items, unchanged from the same period the previous year.

Coca-Cola, however, increased net profits by 13 per cent to $758m in the same period. More significantly, Coca-Cola's share price, currently hovering around its all-time high, suggests that investors think the company's glory days are far from over.

One reason why the companies' figures tell different stories is that, unlike Coca-Cola, PepsiCo derives only 35 per cent of its operating profits from soft drinks. A higher proportion, 37 per cent, comes from its fast food chains (Pizza Hut, Taco Bell and KFC – formerly Kentucky Fried Chicken), which suffered badly from price competition in the second quarter, and another 28 per cent comes from its Frito-Lay snacks business.

Another reason for the profits difference is their geographical spread. In the US, Pepsi's market share is almost as big as Coke's, but worldwide, Pepsi trails behind. About 80 per cent of Coca-Cola's total operating profits come from outside the US, while PepsiCo's beverage division earns less than 16 per cent of its operating profits from other countries. The result is that Coca-Cola is cushioned from the effects of competition in the US, while PepsiCo is relatively exposed.

Even so, neither Coca-Cola nor PepsiCo can afford to ignore US consumers' changing tastes. In the past few years, an increasingly health-conscious US public has shown signs of turning away from high-sugar soft drinks like Coke and Pepsi. At first, the trend was towards diet (low-calorie) versions of the same drinks. But now the fastest area of growth is an ever-expanding variety of "natural" drinks and so-called New Age beverages, such as fruit juice drinks and iced teas. A driving force behind the trend has been Snapple Beverage, an upstart US drinks manufacturer that has rocketed to public prominence through rapidly rising demand for its New Age drinks, which include Raspberry Iced Tea, [illegible] Grape [illegible] and Mango Madness Cocktail.

This phenomenon has prompted [illegible] revolution [illegible] PepsiCo. Realising they cannot resist the market trend, the two companies have decided to join it. Both are diversifying away from their core brands and are launching new products that do not even carry the Coke or Pepsi names.

Coca-Cola, for example, sells a range of iced teas under the Nestea brand in a joint venture with Nestlé, the Swiss food group, while PepsiCo sells iced teas under the Lipton name in a joint venture with the Thomas J. Lipton tea company, the US subsidiary of Unilever. In March this [illegible], Coca-Cola launched a range of New Age fruit drinks in the US under the Fruitopia brand, with names like Raspberry Psychic Lemonade and Grape Beyond; and earlier this month PepsiCo said it was forming a joint venture with Starbucks Coffee, a fast-growing US specialty coffee company, to launch a range of ready-to-drink iced coffees in bottle or cans under the Starbucks name.

These days, both Coca-Cola and PepsiCo make no attempt to disguise their willingness to spread into other kinds of soft drinks. PepsiCo acknowledges that some [illegible] the fastest-growing product categories are outside its traditional soft drinks business, and talks of its all-out effort to become a "total beverage company". Mr Sergio Zyman, chief marketing officer of Coca-Cola, said at the time of the Fruitopia launch in March that the company planned to increase both the speed and frequency of its product launches to meet changing consumer demands, "aggressively addressing growth opportunities wherever they exist".

But while this approach may give Coca-Cola and PepsiCo a stake in the growth sectors of the soft drinks market, are their cola businesses in danger of withering under an [illegible] from own-label [illegible]

Private-label [illegible] around for [illegible], but in the last few years manufacturers have improved the flavour and packaging of their products. Consumers are nowadays switching away from branded goods if they can get acceptable quality at a lower price from own-label products.

Earlier this summer PepsiCo suffered a fall of 2 per cent in operating profits from its soft drinks business. It turned out that Cott, the fast-growing Canadian maker of low-cost, store-branded foods and drinks, had quietly been signing up US store groups as customers.

This came only a few weeks after Coca-Cola, the US maker of Coke, had taken a drubbing from Cott in the UK. When Cott started supplying J. Sainsbury, Britain's biggest food retailer, with cans of own-label cola that looked like Coke but sold at about half the price, Coke's share of Sainsbury's cola sales initially slumped from 63 per cent to 33 per cent.

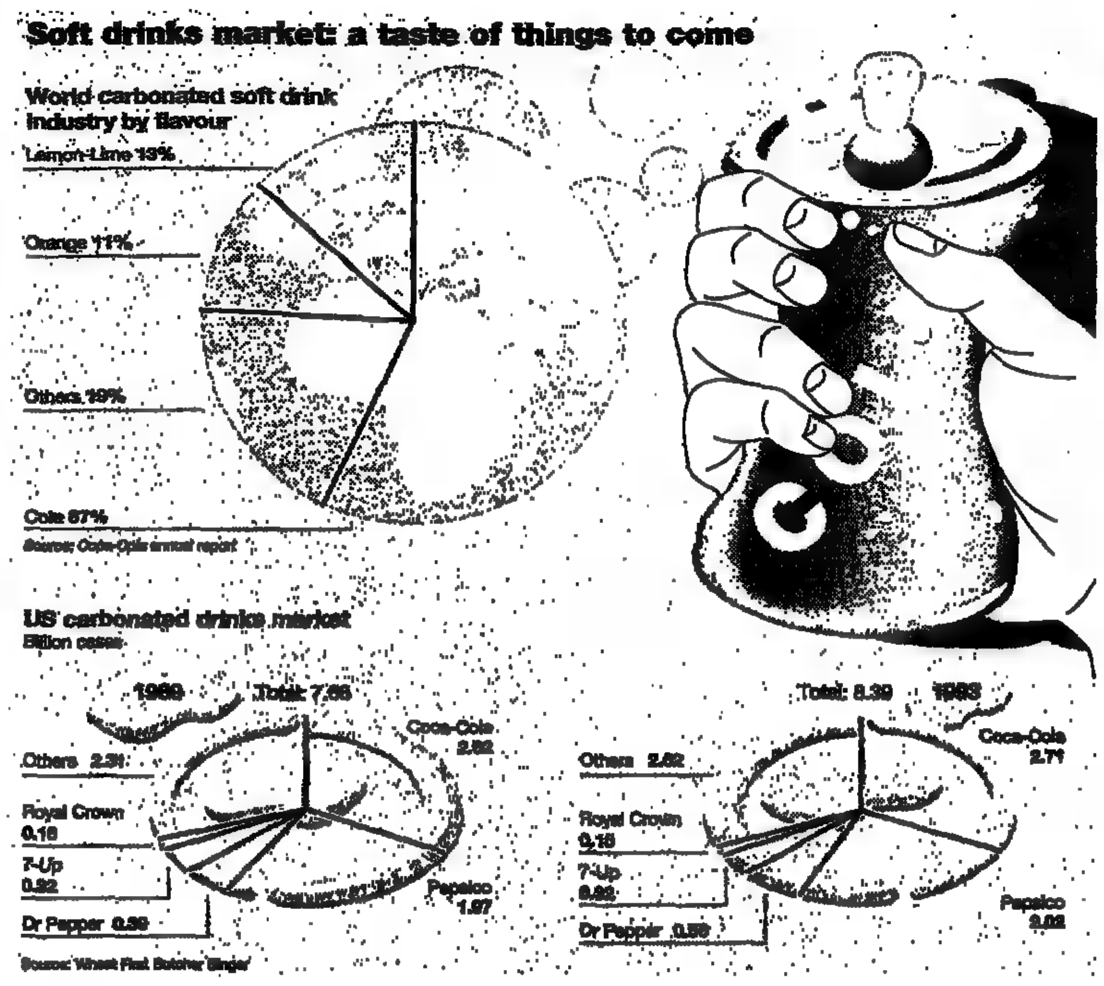
Yet even Royal Crown Cola, the US company that supplies cola syrup to Cott, says the threat to Coke and Pepsi has been exaggerated. Mr John Carson, RC Cola's chief executive, says recent inroads by own-brand colas have been limited to grocery store chains and discount stores, and even there they have come largely at the expense of earlier private-label products. "Private-label is definitely a thorn in [illegible] and Pepsi's [illegible] real [illegible] they [illegible] it. But it's [illegible] a threat," Mr Carson [illegible].

Cott also tends to play down the implications of its recent triumphs – with good reason. Cott is a minnow compared with Coca-Cola and PepsiCo, and it is painfully aware that it would be unlikely to survive retaliatory action if it came to an outright cola price war.

Industry analysts say own-label products will continue to be an irritant to Coca-Cola and PepsiCo, but not much more. Most of them think any adverse effects on the companies' sales from private-label competition – or, indeed, from an increasing proliferation of alternative beverages – will be more than outweighed by the opportunities for growth in developing countries and recently opened markets such as eastern Europe and China.

While some of these markets may be less profitable than those in developed countries, particularly during the costly start-up phase, their sales potential is immense. At present, consumption of soft drinks outside the US averages four [illegible] per person per [illegible]. Inside the US, the figure is 49 gallons.

PepsiCo, more heavily exposed to the US market and less focused on soft drinks than Coca-Cola, is regarded by Wall Street as less well placed to benefit. But own-label products and New Age beverages notwithstanding, industry [illegible]ers say it is much too soon to suggest that the growth is about to end for either company. Jesse Meyers, publisher of US trade magazine Beverage Digest, says their brands are strongly embedded in the global psyche. "I fully anticipate that when Virgin Atlantic Airways flies to the moon, we will be able to get off the plane and drink a Coke or a Pepsi," he says.



Spot the Real Thing

It all started in May 1886 when John Pemberton, a pharmacist in Atlanta, Georgia, cooked up an unusually exhilarating brain tonic. Its stimulative effects came mainly from two ingredients: the coca leaf of South America, a source of cocaine, and the seeds of [illegible] Africa, a source of caffeine. He called it Coca-Cola, and a legend was born.

Part of that legend rests on the mystique that surrounds the Coca-Cola formula. According to company folklore, only two people within the Coca-Cola empire know how to make Coke, and the only copy of the recipe is locked away in a vault, unavailable to anyone in any circumstances except by a formal vote of the board of directors.

This has not stopped people trying to work out the secret for them[illegible]. The cynic would say the formula is simple: one part sugared water to 99 parts hype. But piecing together the available information, it is possible to pick up some clues as to the recipe.

In most countries, the basic ingredients are written on the side of the can or bottle. The biggest two are water and sugar. Caramel gives the drink its characteristic dark colour, and phosphoric acid gives it a tang. The caffeine is still there, though in much smaller quantities than a century ago. So are the coca leaves, but they have been decocainised.

The big secret lies in the so-called 7X portion of the formula – the part listed as "natural flavours" on the container. This comprises seven natural oils. Six are thought to be orange, lemon, nutmeg, cinnamon, coriander and neroli (from a variety of orange blossom). The seventh is lavender or lime, according to which version you believe.

Knowing the [illegible] ingredients, of course, is not the whole of the mystery: you still have to know how to mix them. Undaunted by the [illegible], however, [illegible] have been trying to imitate Coca-Cola since the day it went on to the market. Pepsi-Cola's origins go back almost as far as Coca-Cola's: [illegible] 1884, when Caleb Bradham, a North Carolina pharmacist, started selling a cola-based drink containing pepsin as a tonic for the relief of dyspepsia.

Of the many smaller imitators worldwide, by [illegible] the [illegible] prominent today is Royal Crown Cola, a Texas-based company formerly owned by the US financier, Victor Posner, but last year taken over by a newly formed [illegible] York-based conglomerate called Triarc.

RC Cola has been making and selling cola under its own name for decades, but since 1991 it has had another sideline: supplying [illegible] syrups to Cott, a Canadian soft drinks company, which in turn uses them to make own-label colas for supermarket chains.

These Cott-supplied colas are better packaged than earlier private-label colas were. They also taste better: in conjunction with Cott, RC Cola has developed new formulas [illegible] individual retailers' specifications. But do they really taste anything like Coke or, for that matter, Pepsi?

First, it can be surprisingly hard to tell the difference. In the absence [illegible] any independent consumer research on the subject, the FT's [illegible] York bureau held a highly unscientific blind tasting of Coke, Pepsi and PC Cola (a Cott-supplied private label). Of the [illegible] people who took part, only one succeeded [illegible] singling out the interloper.

Second, who cares? History has shown that people do not buy Coke for its flavour. In 1985, Coca-Cola took the extraordinary decision to abolish Coke in the US and replace it with the smoother, sweeter New Coke, which had consistently scored higher in blind tastings. The move was a disaster: the US public said changing the taste of Coke was like burning the American flag. Back came the old Coke, and it has been out-selling every other [illegible] drink since.

OBSERVER

Cruiser bruiser

■ Argentina has a new constitution today, which, as well as giving president Carlos Menem the chance of remaining in power for another four years, removes the old requirement that the president [illegible] be a Roman Catholic. It also bans discrimination of practically every shade and nuance.

Someone should tell Antonio Quarracino, the Catholic archbishop of Buenos Aires. The bishop has little time for homosexuals, and uses his weekly television programme to air his less than politically correct opinions.

Quarracino has just called for the [illegible] of "a zone where all the gays and lesbians can live with their laws, their television and even their own constitution, where they can live in a sort of separate country with great freedom. In this way we will clean an ignoble stain from the face of society".

Beastly Bodmin

■ It's better than swigging sangria in Alicante; but probably not much. Paul Tyler, Liberal Democrat MP for north Cornwall, has been spending his summer hunting the semi-mythical Beast of Bodmin, recently "sighted" less than a hundred yards from his home on the edge of Bodmin moor.

Tyler has convened a meeting with farmers, police and government officials to decide how to deal with the beast. He was out of the Commons for 18 years after losing his last seat in Bodmin in 1974; so he knows all about being in the wilderness, rare sightings, beastly behaviour, etc, etc.

Chequered history

■ The good news is that the Russian government has finally decided to cough up for all the loot appropriated by the state in political repressions since the 1917 Bolshevik revolution.

But the maximum compensation will be no more than 100 times the current minimum Russian monthly wage – totalling 2.05m rubles – or the princely sum of $953.

Romanovs of the world unite; you have nothing to lose but your claims.

Beetling east

■ There seems to be precious little Sprung, let alone Vorsprung, in the German motor industry just at the moment. A rather downbeat Volkswagen chairman Ferdinand Piëch was in Paris this week to tell journalists that the second half of the year would see a further drop in orders. Right across western Europe indeed, 1994 sales would be no higher than last year. Less than ideal starting pads for the new Polo range he was unveiling, presumably. But cheer up chaps, there is another new model around the corner. Why, VW is working on an exciting new Skoda. And that's no laughing matter.

'I think it's a Corgi licking itself'

Anchors away

■ Rear-admiral Allison Madueke – just sacked as chief of staff of the Nigerian navy – will no doubt look back with nostalgia on his nine months in the job. An Ibo who once fought on the rebel side in the Biafran war, he probably relished his staff mansion in Lagos's exclusive Ikoyi suburb.

Not that running Nigeria's navy is particularly demanding, aside from receiving visiting warships from Brazil. It might be the largest navy in west Africa but has never had to fire a shot in anger. Of the two frigates moored in Lagos, the Obuma is not in operation – except for an annual spin round the harbour – while the Iradu has been undergoing repairs for two years.

Perhaps Madueke will get a consolation prize. Local press reports suggest the number two in the regime, General Oladipo Diya, may be the next victim of General Abacha's reshuffle – with Madueke tipped for the job. Lucky him.

Hack drill

■ A couple more names to add to the roll-call of young media tycoons in basic training. Observer commented earlier this week on how Australia's local newspaper business was being used by the Packer, Murdoch and O'Reilly families to see if the next generation had the right stuff to make it to the top. The same thing seems to be happening in the UK.

Young Matthew Doull, a nephew of Conrad Black, has done his stint as a hack on the Daily Telegraph's city pages, and has now got the job of thinking up bright ideas for the Telegraph's new business unit.

Another young thing to watch is Jonathan Rothermere, 26, who is currently writing for the Sunday Mail in Glasgow. With his father, Lord Rothermere, turning 69 this week it probably won't be long before young Jonathan gets a call to return to [illegible]ted Newspapers' headquarters so that he can learn how to do a proper job.

Absolut tonic

■ Here's a salutary lesson for all academics who think their research might earn them an extra bob or two on the [illegible]

Carl Hamilton, of the Stockholm Institute of International Business, has just been booted out after agreeing to publish his PhD thesis on the marketing of the Absolut brand of vodka. It was commissioned by Absolut's maker, the state-run Vin and Sprit AB. The company is cross because the thesis reportedly contains confidential information. More sensitively, Hamilton also reportedly credits Absolut's huge popularity to clever US advertising, rather than to Vin and Sprit's own efforts.

Lesson one of life: never bite the hand that feeds you. Unless of course you know a fatter hand is just around the corner.

Biased fax

■ A press release from the Labour party's press office arrived at the FT's House of Commons office yesterday marked: "Re-fax. Earlier copy may have been distorted." Well, so long as it wasn't completely bent, who's worried?

FINANCIAL TIMES
Wednesday August 24 1994

Burden of past claims could cost £500m

Lloyd's profit recovery hampered by bad debt

By Richard Lapper

Bad [redacted] and declining investment returns – [redacted] well as the continuing burden of claims on policies underwritten in the 1980s and earlier – will hold back the expected recovery in profits at Lloyd's, according to Chatset, the company which monitors the London insurance market.

[redacted] expects Lloyd's [redacted] report [redacted] profit [redacted] £800m [redacted] for the 1993 underwriting [redacted], when results are reported in [redacted], in line [redacted] the market's [redacted]-year accounting system.

It estimates, however, that as much as £500m [redacted] profit might [redacted] liability insurance claims, which can [redacted] policies [redacted] underwritten.

Lloyd's hopes [redacted] problem by setting up a new rein-[redacted], NewCo, early in [redacted] into which it [redacted] to [redacted] all [redacted] policies sold [redacted].

Aside from this, says Chatset, "two horrors lurk, worsening investment returns, exacerbated by inadequate reserves for bad debts and further reinsurance failures."

The fall in investment returns, mainly as a result of the recent turmoil in international bond markets, will hit results for 1992, when these are reported next year, Chatset predicts.

During 1993 syndicates earned returns of some 6 per cent on their investments. But the first half of 1994 has produced a "dismal return", the average across the market being a profit of 0.5 per cent on dollar investments and a loss of 2 per cent on sterling investments.

Chatset expects the situation to improve in the second half of 1994, but says that "it will remain a disastrous year for investment" with returns down "perhaps" by [redacted] £200m and [redacted].

Overall, [redacted] expects Lloyd's to post a loss for the 1992 [redacted] £135m, when [redacted] are reported next year. Again though, this [redacted] will [redacted] when the extra reserves for earlier years are taken into account.

Total bad debts due to unrecoverable reinsurance claims, as a result of the failure of a number of reinsurance companies, could account for more than £300m. The figure is already taken into account in the 1991 loss of some £2bn, but similar problems could depress results in future years, Chatset believes.

Chatset notes that the "failure of insurance companies has continued apace" with the list including the subsidiaries of London United Investments, the financial conglomerate which collapsed in 1990.

Total losses at the insurance market since 1988, when Lloyd's dipped into loss for the first time in more than 20 years, amount to some £7bn.

See Lex

Body Shop faces US probe over franchise operations

By Andrew Jack

Body Shop International is under investigation by the US Federal Trade Commission over its franchise operations in North America.

Body Shop last night confirmed the investigation, which focuses on disputes between the company and its franchisees in the US.

News of the investigation emerged amid continuing controversy within the ethical investment sector of business about allegations concerning the UK-based cosmetics and toiletries retailer's "green" and ethical policies.

The FTC refused as part of its normal policy to comment on whether any investigation [redacted] taking place into Body Shop.

The US agency said it had undertaken 40 to 50 franchise investigations over the past several years, of which a majority had led to legal action. However, it stressed that each case needed to be judged on its merits and none should be pre-judged.

The FTC said its investigations normally considered allegations of unfair or deceptive practices by franchise operators, or more general breaches of US franchise rules.

Details of complaints from former Body Shop franchisees in the US form an important part of a forthcoming article in Business Ethics, a Minneapolis-based magazine, and other pieces scheduled to be published over the next few weeks.

Body Shop said last night: "We are aware of the FTC inquiries which are routine and about which we have no concerns."

It added in a statement: "It is standard practice for franchise organisations to have arguments with franchisees. We have no more arguments in the US than in the UK or any other country. Indeed independent analysts note that we have remarkably few such conflicts for a company of our size. Government agencies in the US have accused us of nothing. This is just more scaremongering."

The FTC is believed to have formally launched its investigation in March, and it has since issued a number of subpoenas to require witnesses to testify.

New Consumer, a Newcastle-based organisation which has criticised Body Shop International, yesterday made public a letter to the company calling for information which would allow it to verify the retailer's "trade not aid" claims and for details of the ingredients in its products.

Mr Richard Adams, director of New Consumer, said Body Shop had repeatedly refused to provide such information. "There are so few hard facts," he said. "I want to try to pin them down a bit."

Letters, Page 10

Dear Leader's succession to power may be in trouble

By John Burton in Seoul

[redacted] delay in [redacted] official appointment of Mr Kim Jong-il to the top leadership positions in North Korea is fuelling speculation in Seoul that his assumption of power may be in trouble after the death of his father, President Kim Il-sung, six weeks ago.

A report yesterday by South Korea's state news agency that leaflets denouncing Mr Kim were scattered in the foreign diplomatic section of Pyongyang is the latest in a recent spate of largely unconfirmed stories claiming that the Dear Leader may be facing growing opposition to his rule.

The incident coincides with a North Korean radio broadcast that warned that "acts of betrayal by ambitious persons and conspirators" could undermine the ruling party unless the issue of Mr Kim's succession is solved soon.

But there is otherwise little solid evidence to determine if Mr Kim is losing control of the secretive country. Speculation about his status has been fuelled by [redacted] failure so far to be named to [redacted] three most powerful positions in the country: general secretary [redacted] ruling Korean Workers' party, national president and chairman of the party's central military committee.

His absence from public view since his father's lavish funeral in mid-July has also caused uncertainty, although Mr Kim is known for being reclusive. The haggard appearance of the 52-year-old Mr Kim at the funeral services prompted rumours he is in poor health. The diplomatic corps in Pyongyang has speculated for years on the issue.

North Korean diplomats abroad have dismissed talk about a problem in the succession, explaining that the delay is due to an extended period of mourning for the dead that is traditional in Korea.

Some western analysts in Seoul agree with that explanation. "It might appear unseemly for Kim Jong-il to take charge quickly. It could take several months for the party and parliament formally to convene and nominate him to the leadership posts," Mr Michael Breen, an analyst for Merit Consultancy in Seoul. But he added that if the transfer of power was not completed by the end of the year, it could [redacted] that Mr Kim [redacted] indeed in trouble.

Many analysts agree with the recent assessment by Mr Lee Hong-koo, the South Korean deputy prime minister for national unification, that Mr Kim may be delaying the transfer until he promotes a younger generation of technocrats loyal to him. This could be a "complex and time-consuming process" in a society based on a strong hierarchical structure, Mr Lee said.

One indication that Mr Kim may be successful in achieving control was the recent return of his step-brother and potential rival, Mr Kim Pyong-il, to Helsinki as North Korean ambassador after spending several months in Pyongyang.

If the power transfer proceeds smoothly, analysts expect Mr Kim will assume formal leadership either on September 9, the anniversary of the establishment of North Korean state in 1948, or October 10, the 49th anniversary of the founding of the ruling party. South Korea is reluctant to hold a proposed summit meeting with North Korea until the succession is completed.

Russia defends the rouble with US dollars

Continued from Page 1

real change in policy. We are moving from an extremely high real interest rate to just a very high one," one western economist said. "We are still in the same regime where it is very expensive to borrow. Real interest rates remain at about 4 per cent a month."

But others argued the trend was risky. "Given the future outlook and the fiscal slippage, more prudence would have been useful," another economist said.

The difficulty faced by Russia's foreign debtors – chiefly former Socialist countries – in servicing their $147bn debts may further complicate the government's fiscal difficulties.

Mr Oleg Davydov, foreign trade minister, said Russia's debtors were paying only $2bn a year compared to their obligations of $6bn-$7bn.

THE LEX COLUMN

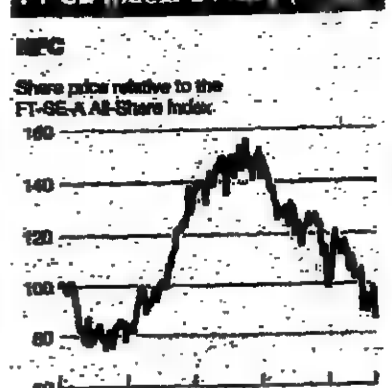
NFC loses driver

NFC's statement on the resignation of chief executive Mr Peter Sherlock left everything to the imagination. The company provided no explanation at all, not even that traditional fig leaf, "after a clash of management styles". To be fair to NFC, Bass was no more illuminating when Mr Sherlock left its employ in October 1992. Whatever the reasons, shareholders of both companies may begrudge paying Mr Sherlock over £1m in compensation for loss of office in under two years.

The bigger worry for NFC shareholders is that there is more to Mr Sherlock's departure than personalities. While his business school jargon may not have been to every investment institution's taste, his arrival was welcomed by those keen to see NFC's inbred culture opened up. They will not be reassured that the board appears to have sided with Mr Robbie Burns, a life-long NFC man who was beaten to the top job by Mr Sherlock and has now withdrawn his own resignation. Although the company stresses that there has been no change in strategic direction, the suspicion remains that Mr Sherlock wanted to pursue it more quickly than Mr Burns.

The management question would matter less if Mr Sherlock's bullish comments about trading prospects had proved accurate. Third quarter figures suggest operating profit growth remains very sluggish. NFC may be right to blame both European recession and American overheating for its problems. But the new [redacted] executive will need to do more to convince investors it can capitalise on the undoubted opportunities.

FT-SE Index: 31[redacted] (+3.[redacted]



Source: FT Graphite

Thorn EMI

Sir Colin Southgate's comments yesterday ruling out a demerger of Thorn EMI for the next three years were a disappointment. Splitting the group he chairs into its music and TV rental parts looked an attractive way of enhancing shareholder value. The advantages of keeping the two divisions yoked together are slim. The steady but not terribly exciting rental business arguably drags down the rating that free-standing EMI shares would enjoy.

The best that can be said about Sir Colin's remarks is that they should clear up speculation over group strategy. The management's main challenge for the medium term is to hit its targets of boosting music margins from 14 per cent to 16 per cent and rental margins from 8½ per cent to 10 per cent. The group's first quarter figures, reported for the first time yesterday, show a slight slip in margins in the music business.

But it would be wrong to conclude much from [redacted] EMI's [redacted] highly cyclical and its Japanese arm did particularly well in the first quarter of last year. Equally the small improvement in rental margins means little, though it is encouraging that Thorn is close to stemming what has been a steady erosion of its UK rental business.

If Thorn can hit its margins targets, investors will look kindly on its plans to diversify into book publishing. Sir Colin has highlighted this as an area where EMI could apply its existing skills in managing intellectual property. With a demerger off the agenda, management will certainly have time to look at other strategic moves.

Lloyd's

After years of ruinous losses it is some comfort that business now being written at Lloyd's of London is expected to be profitable. But the £800m profit for the 1993 year of account forecast by Chatset, the independent forecasters, would hardly be a cause for celebration. A return of less than 10 per cent of market capacity – the long-term target set in Lloyd's business plan – would be a disappointing outcome for a year which saw few natural catastrophes and premium rates at their peak. While the weather has also been kind this year, rates are already softening.

Neither does this headline forecast include reserves which will have to be set aside against asbestosis and pollution claims on policies written years ago. While the eventual level of liabilities depends on events in the US Congress and courts, it is likely that reserving will fall from the £1.4bn set aside last year. If Chatset's estimate of £500m proves correct, though, there would be precious little left over to make up for the losses of the previous five years.

The individual Names which back the market must therefore hope that Chatset has underestimated the eventual level of underwriting profits and overestimated the need for additional reserves. Although corporate capital was not admitted in time for the 1993 year of account, investors in quoted Lloyd's funds would also prefer to see a higher profits peak. Investment returns this year look like being especially poor, so the onus is more than ever on the underwriters to show a decent profit.

US telecoms

LDDS certainly cannot be accused of lacking direction. Through a series of mega-deals, it has turned itself from a little-known Mississippi telecoms reseller into the US's fourth largest long-distance operator. This week's $2.5bn acquisition of WilTel means it will be able to route calls from its growing customer base over its own infrastructure instead of buying capacity from rivals. Its earlier $900m acquisition of IDB Communications gave it direct relationships with about 100 foreign telecoms carriers.

But does this drive to join the big league makes sense? It is not just that $2.5bn looks expensive given WilTel's operating profits of $90m. Margins in the long-distance business are under pressure. Making profits in this market is largely about tapping its immense economies of scale and establishing a strong brand name. On both scores, LDDS starts a long way behind AT&T, MCI and Sprint.

The best justification for the strategy is that LDDS is now in a position to play an important part in restructuring the US telecoms industry. It is the only unaffiliated player in the long-distance market. That will make it an attractive partner, or even acquisition, for the Baby Bells if as expected they are allowed to break out of their local fiefdoms. It could also appeal to any foreign carriers seeking to form a fourth force in the global market to compete with the three alliances built around LDDS's main rivals.

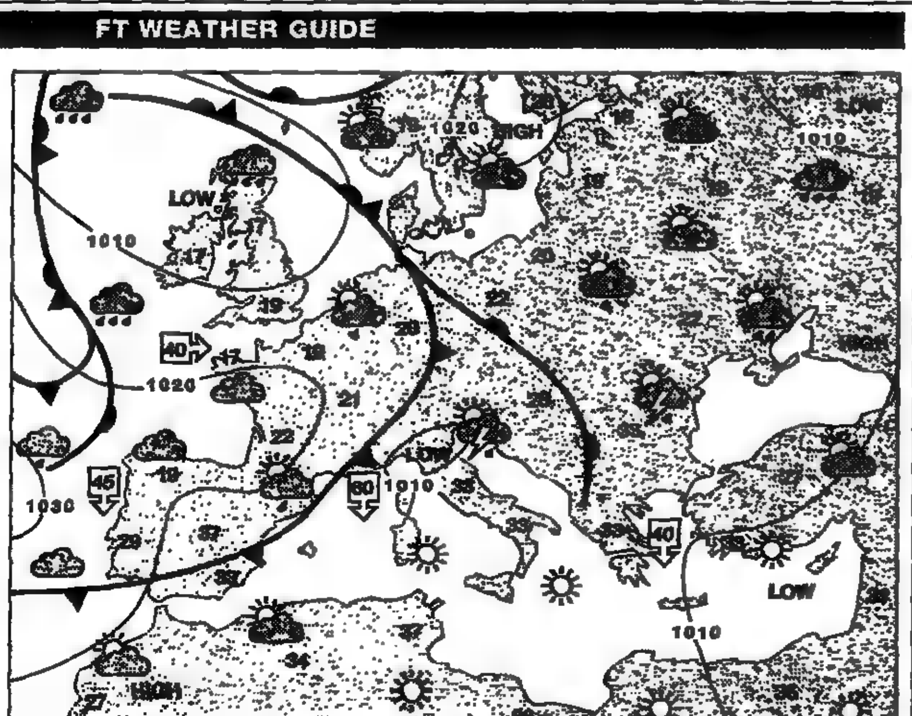
FT WEATHER GUIDE

Europe today

Active low pressure over [redacted] will force cool air into the continent. A frontal zone separating warm air from much cooler air will generate showers over France and Germany this afternoon. The UK will also be unsettled with widespread showers and rain over Wales and south-west England. Scattered thunder showers will occur over Scotland. Thunder showers will also develop in the Alps, especially in eastern Switzerland and Austria. High pressure over Scandinavia and north-western Norway will bring dry and sunny periods. Southern Europe will be sunny and and very warm. Elsewhere, cloud will be interspersed with sunny periods. Temperatures will be below seasonal level in most of Europe.

Five-day forecast

Rain and wind are expected in most of central and western Europe as low pressure over Scotland strengthens and moves east. During the weekend, the low will cause strong winds as it moves over southern Scandinavia and the Baltic Sea. Thunder showers will continue to affect the Alps. The Mediterranean area will remain warm and sunny except for some cloud in Italy and the south-east.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	[redacted]		[redacted]	rain	30	Caracas	fair	27	Faro	sun	28	Madrid	sun	30	Rangoon	rain	29
	Celsius		Belfast	shower	16	Cardiff	rain	17	Frankfurt	thund	23	Majorca	sun	32	Reykjavik	shower	14
Abu Dhabi	sun	[redacted]	Belgrade	fair	33	Casablanca	fair	27	Geneva	shower	23	Malta	sun	34	Rio	fair	24
Accra	shower	26	Berlin	shower	24	Chicago	fair	28	Gibraltar	sun	30	Manchester	rain	18	Rome	sun	32
Algiers	sun	34	Bermuda	shower	30	Cologne	shower	21	Glasgow	thund	18	Manila	cloudy	33	S. Frsco	fair	24
Amsterdam	shower	20	Bogota	cloudy	18	Dakar	shower	30	Hamburg	shower	20	Melbourne	shower	16	Seoul	fair	32
Athens	sun	33	Bombay	rain	31	Dallas	fair	35	Helsinki	fair	19	Mexico City	shower	23	Singapore	cloudy	32
Atlanta	fair	[redacted]	[redacted]	fair	20	Delhi	shower	26	Hong Kong	fair	32	Miami	fair	32	Stockholm	fair	20
[redacted] Aires	fair	[redacted]	[redacted]	shower	28	Dubai	sun	41	Honolulu	fair	35	Milan	thund	30	Strasbourg	cloudy	22
B.ham	[redacted]	[redacted]	C.hagen	cloudy	19	Dublin	cloudy	17	Istanbul	sun	29	Montreal	cloudy	26	Sydney	shower	19
[redacted]	[redacted]	[redacted]	[redacted]	sun	36	Dubrovnik	fair	32	Jakarta	fair	32	Moscow	cloudy	18	Tangier	sun	27
Barcelona	[redacted]	28	[redacted] Town	cloudy	18	Edinburgh	shower	17	Jersey	shower	19	Munich	rain	22	Tel Aviv	sun	34
									Karachi	rain	33	Nairobi	fair	25	Tokyo	cloudy	27
									Kuwait	sun	46	Naples	sun	33	Toronto	fair	25
									L. Angeles	fair	25	Nassau	fair	32	Vancouver	cloudy	20
									Las Palmas	sun	26	New York	fair	27	Venice	shower	30
									Lima	cloudy	19	Nice	fair	29	Vienna	rain	26
									Lisbon	fair	24	Nicosia	sun	37	Warsaw	cloudy	23
									London	fair	20	Oslo	cloudy	20	Washington	shower	30
									Lux.bourg	cloudy	19	Paris	cloudy	21	Wellington	shower	11
									Lyon	shower	22	Perth	fair	19	Winnipeg	fair	26
									Madeira	sun	25	Prague	shower	25	Zurich	thund	20

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FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday August 24 1994

IN BRIEF

Stora lifted by paper fortunes

Higher volumes, cost-cutting and capital gains brought a dramatically improved performance at Stora in the first half, enabling Europe's biggest pulp and paper group to lift profits to SKr1.51bn ($200m) from SKr30m. Page 14

OMV recovers in first half
OMV, the Austrian integrated petroleum and chemicals group, has reported consolidated pre-tax profits of Sch240m ($22m) for the first half, compared with a loss of Sch552m in the corresponding period last year. Page 14

Deere announces record profits
Deere & Co, the US agricultural and industrial equipment manufacturer, reported record profits in the third quarter and said its worldwide production tonnage was up 17 per cent. The company earned $157.7m, in the quarter. Page 15

Thorn EMI demerger ruled out
Sir Colin Southgate, chairman of Thorn EMI, yesterday firmly ruled out an early demerger of the UK music and rentals group, and said that the proposal was now "on the back-burner". Page 14

Bank of Montreal hit by charge
A C$46m special charge to cover a US subsidiary's investment losses reduced the Bank of Montreal's third-quarter net profit by about 5 per cent. Net income for the three months to July 31 was C$172m (US$125). Page 15

QVC declines to $11.7m
QVC, the US cable television home-shopping group which earlier this month accepted a $1.4bn takeover offer from its two largest shareholders, reported second-quarter profits of $11.7m. Page 15

Canon advances 84% at halfway
Canon, the Japanese office equipment and camera maker, lifted pre-tax profits by 83.6 per cent to Y28.54bn ($291m) in the first half to June as restructuring efforts paid off. Page 16

Restructured Wace bursts ahead
Further cost reductions and improved productivity helped Wace, the restructured pre-press and specialist printing group, report a 57 per cent increase in pre-tax profits for the half year to June 30. Page 17

Societies caution on housing growth
Benefits from sharp falls in bad debt provisions were reflected in increased pre-tax profits for the first half of this year reported yesterday by two of the UK's larger building societies, but they both remained cautious about growth prospects. Page 17

AIB may bid for HMC
Interest from other mortgage lenders in acquiring Household Mortgage Corporation appears to be widening with Allied Irish Banks, the Irish Republic's largest banking group, now expected to be among the bidders. Page 17

Monetary policies key to Brussels revival
Belgium has outperformed other continental European stock markets since the beginning of the year, especially if the strength of its currency is taken into account. Backpage

Companies in this issue

Market Statistics

Chief [illegible] changes [illegible]

FRANKFURT (DM)							
Falls				BHP	234.9	+	[illegible]
Henkges Berlin	375	-	6.5	Gaumont Soc N	294	+	14
Deutsche Babck	250.5	-	4.7	LVMH	[illegible]	+	[illegible]
Linotype	375	-	11	L'Oreal	1172	+	39
PWA	249	-	6.5	Falls			
Porsche	820	-	25	Fromageries Bel	5020	-	160
Volkswagen	[illegible]	-	21.5	TOKYO (Yen)			
NEW YORK ($)				Rises			
[illegible]				M'bishi Rayon	432	+	12
Biogen	49¾	+	1¾	NOK Corp	819	+	[illegible]
Chiron	65¼	+	3¼	Falls			
Clark Equipment	68½	+	1⅞	Hokkaido Takab	483	-	15
Cummins Engine	46⅝	+	1¼	Japan Airlines	745	-	[illegible]
Demo	70¼	+	4	Mitsui Fatchem	875	-	29
[illegible]	43¾	+	1⅝	Yokogawa Elec	995	-	35
PARIS (FFr)							
Rises							
Air Liquide	810	+	25				

New York prices at 12:30.

LONDON (Pence)							
Rises				Wellcome	709	+	9
Bluebird Toys	240	+	8	Yorkshire Water	575	+	11
Charter	796	+	28	Falls			
Comm Union	547	+	8	NFC	185½	-	14½
Crossby	158	+	6	Nottingham Grp	118	-	36
[illegible]	256	+	8	P&O	685	-	7
Northern [illegible]	796	[illegible]	16	Reliance Ind	393	-	9
Scotia Hldgs	287	+	8	Smith (WH)	489	-	8
Stew Food	95	[illegible]	6	[illegible]	[illegible]	-	[illegible]
Tipnook	35	+	3				
Wace	270	+	16				

Piëch's gloom hits German car shares

By Christopher Parkes in Frankfurt

Mr Ferdinand Piëch, Volkswagen chairman, was accused of playing "malicious tricks" on his competitors [illegible] his *gloomy* [illegible] market prospects hit German car shares yesterday.

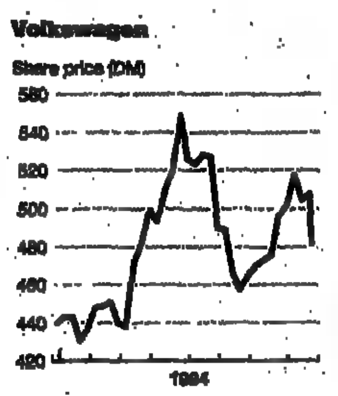
VW stock suffered most, slumping 4.3 per cent, after Mr Piëch said on Monday evening that the industry's west European sales would be unchanged from last year's low of 11.3m.

His remarks to journalists, combined with official data published yesterday showing German car registrations down 16 per cent in July, and 4.9 per cent lower than a year earlier, rattled the Frankfurt Stock Exchange.

VW shares tumbled DM21.50 to DM483 at the official close: BMW shares dropped 1.7 per cent, or *DM14, while Daimler-*Benz fell 1.4 per cent, or DM11.50.

The decline in motor stocks was the main cause of a 0.75 per cent dip in the Dax index of 30 *leading shares*.

One industry official claimed the VW chairman was basing his



Source: FT Graphite

assessment of industry prospects on those at VW.

"He thinks VW *is* the automotive industry and he is presenting his *own* poor orders as representative of the whole sector. It is a malicious trick," he said.

Analysts said Mr Piëch might be attempting to damp profit expectations after VW's interim report last week announced the long-awaited turnround had been achieved. The group earned DM133m ($85m) net in the second quarter, reducing the first-half loss to DM209m against DM1.6bn in 1993.

While Mr Piëch's forecast of unchanged German sales this year matched the industry consensus, his suggestion of a flat result throughout western Europe was "completely out of line", according to one analyst.

Mr Otto Ferdinand Wachs, VW spokesman, said last night that VW's downward revision of European prospects was based on careful research. "We are on target, but European market demand is not as good as some in the industry would have us believe," he added.

General Motors Europe stood by its earlier forecasts that German demand for all makes of cars would be unchanged at 3.2m, while [illegible] European sales [illegible] around [illegible] 12m [illegible] this year.

BMW, which earlier this year *forecast a "small" increase in* industry [illegible] Europe, said [illegible] had uncoupled [illegible] trend. [illegible] July deliveries, orders and production were all higher than a year earlier.

Mercedes-Benz officials were a little more cautious than a few months ago, but plans to deliver 585,000 vehicles to all markets remained unchanged.

World Stock Markets, Back Page

Bank plans criminal charges

Crédit Lyonnais confirms action against former IBSA executives

By David Buchan in Paris

Crédit Lyonnais, the troubled state-owned French bank, yesterday confirmed that it was preparing criminal charges of financial impropriety against former executives of its loss-making associate company, International Bankers SA (IBSA).

The bank's action is expected *to take the form of a "complaint* against X", or persons unknown, a standard procedure in French *law to trigger an inquiry by an* investigating magistrate [illegible] then [illegible] what charges to bring.

Mr Jean Peyrelevade, [illegible] Lyonnais' new president, said that if, in addition to the misjudgments [illegible] contributed [illegible] the bank's [illegible] and debts, [illegible] impropriety, he would take legal action.

On June 16 Mr Peyrelevade, told the French parliamentary inquiry into Crédit Lyonnais that he had sacked "two or three people" who had worked for IBSA, and said, "I think we are going to have the elements" to start criminal proceedings.

Crédit Lyonnais yesterday [illegible] Mr Jean-Maxime Lévêque, who after heading [illegible] Lyonnais [illegible] in [illegible] over IBSA, originally a Luxembourg-based [illegible] institution.

When he switched IBSA's base to France in 1990, where most of [illegible] property lending [illegible], Mr Lévêque was required by Bank of France rules to have a French "shareholder of reference". He went to his successor at Crédit Lyonnais, Mr Jean-Yves Haberer, who complied by taking 25 per cent in IBSA.

But *Crédit Lyonnais'* involve[illegible] in IBSA [illegible] it [illegible] potential losses of around FFr3bn ($568m), according to Mr Peyrelevade, who called the investment "an error of strategic character".

IBSA has largely been dismembered, with some [illegible] Crédit Lyonnais subsidiary, Banque Colbert, [illegible] FFr5bn [illegible] doubtful property loans hived off with other bad Crédit Lyonnais real estate loans into a special state-backed company.

Crédit Lyonnais is maintaining its pressure for repayment of loans.

In addition [illegible] its theatrical legal [illegible] Mr Bernard Tapie, the beleaguered entrepreneur, [illegible] has warned [illegible] Roger [illegible] the *French publishing* magnate, [illegible] it cannot renew loans falling [illegible] this autumn, including a FFr600m credit maturing in [illegible].

Given the [illegible] fortunes [illegible] the [illegible] this [illegible] prompted speculation [illegible] Mr Hersant might [illegible] sell either Le Figaro, his flagship national newspaper, [illegible] some [illegible] his regional papers, to [illegible] cash [illegible] the bank.

Andrew Adonis and Patrick Harverson report on the hotting up of competition between US long-distance telecoms operators

Scramble for a slice of the nitty-gritty market

The [illegible] with "superhighways" and high-tech "*convergence*" *has* obscured the dominant trend in the US [illegible] industry: [illegible] intensifica[illegible] of competition [illegible] vying [illegible] provide core [illegible]

This week's $2.5bn purchase of WilTel, a US long-distance operator, by LDDS, the acquisitive US telecoms group, underlines that reality. LDDS's ambition is simple: *to establish itself as the* fourth force in US long-distance and international telecoms, chal*lenging AT&T, MCI and Sprint.*

LDDS is elbowing its way into a crowded market. Long-distance *telecoms in the US has been* fiercely competitive for a decade – since AT&T was forced to spin *off its local networks* and the remainder of its business was exposed to newcomers.

AT&T *steadily lost market* share until stabilising at about 60 per cent of long-distance traffic. *The main beneficiary was MCI*, which rose to about 20 per cent on the back of aggressive discounting and innovative marketing. Sprint took a 10 per cent stake, while hundreds of smaller resale operators – WilTel being one of the largest – established themselves by discounting.

LDDS has forged a profitable business in the past 10 years reselling leased telecoms lines at a discount to small and medium-sized business customers.

Last year the Mississippi-based group merged with Metromedia Communications, the long-distance telephone [illegible] entertainment concern owned by Mr John Kluge, a billionaire businessman with ambitions to take on the "big three" long-distance operators.

Earlier this year, LDDS's first offer for WilTel was rejected by Williams Companies, the Oklahoma-based owner. LDDS paid $895m for IDB Communications, an international satellite phone carrier before returning for WilTel with a $2.5bn offer. With WilTel's 11,000-mile advanced fibre-optic communications network, LDDS becomes a fully fledged phone carrier. [illegible] an [illegible] instead of a lessee of telecoms lines, it hopes to reduce its costs [illegible] prices and a broader range of services. It will target larger corporate customers of the kind traditionally served by the Big Three.

What are its prospects?

LDDS believes it has snatched a head-start on other operators angling to compete in long-distance services, notably the seven "Baby Bell" regional companies which hope to enter the market on the back of regulatory changes expected to be enacted by Congress this year.

It is debatable, however, how much of a market opportunity exists. AT&T and its rivals will [illegible] a fight. Price [illegible] are already low: according to [illegible]lysts, a 3 to 8 [illegible] margin separates the operators.

Moreover, [illegible] services increasingly depend upon sophisticated network software, and the larger operators are to the fore in its development. AT&T estimates that within five years half its revenue from business customers could come from services other than telephone calls.

LDDS starts with about 4 per cent of a rapidly expanding $65bn market. Customers are becoming used to switching operators, and many businesses are employing multiple long-distance providers. Analysts also believe new opportunities will be created by falling charges for access to local networks.

Much depends on whether Congress passes the current telecommunications bill, which would further open the industry. Mr [illegible] Conrad, analyst at [illegible] *Lawrence Deutsche Bank Securi*ties, says charges imposed by local operators are declining at *an annual rate of 3-4 per cent* and could fall by as much as 20 per cent within three years.

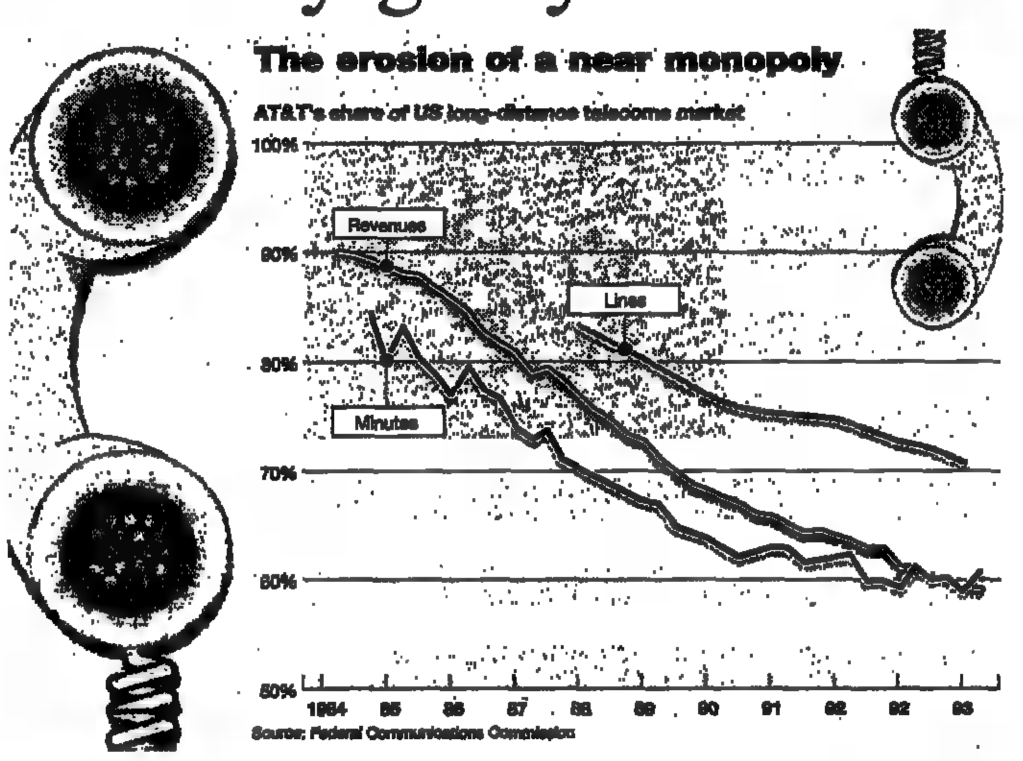
If LDDS establishes a profitable niche, it might itself become a takeover target, particularly for the Baby Bells as they look for a short-cut into the long-distance business.

Alternatively, a data information company might take at look: last week the company's shares were buoyed by rumours that [illegible] Systems, the computer services company owned by General Motors, was considering merging with LDDS, although Mr Bernard Ebbers, LDDS's chief executive, denies that talks took place.

LDDS is also developing an international strategy. Mr Ebbers says "there may be an opportunity" in tying up with an overseas operator. Cable & Wireless, the UK [illegible] group, [illegible] to strengthen its position in [illegible] US market, where it has a small long-distance [illegible]

Mr [illegible] his priority [illegible] weld together the existing business. However, in today's [illegible] industry, [illegible] is [illegible] thing as a breathing [illegible].

Lex, [illegible] 12



Source: Federal Communications Commission

Delta puts $2.8bn IT work into venture with AT&T

By Richard Tomkins in New York

Delta Air Lines, the third-biggest [illegible] airline, [illegible] contracting [illegible] information technology work over the next 10 years to a joint venture it has formed with AT&T Global Information Solutions, part [illegible] telecommunications [illegible] AT&T.

The so-far unnamed [illegible] will handle [illegible] Delta's internal computing requirements, apart from [illegible] reservation systems. These will be transferred [illegible] Worldspan, a computer [illegible] system jointly owned by three US airlines.

Delta and AT&T said the company would also market its computing and communications [illegible] companies in the [illegible] transport [illegible], excluding rival airlines and computer [illegible]on systems.

Delta said it was transferring the work as a cost-cutting measure. It estimated the joint ven*ture would save it $400m over* the next 10 years through inno[illegible] developments [illegible] would *improve the* [illegible] business [illegible] annual operating [illegible].

Mr Ron Allen, [illegible] *chairman*, said the joint venture was a "strategic initiative designed to improve our competitiveness, [illegible] it will play a key [illegible] in [illegible] drive to return to [illegible]tained profitability".

Earlier [illegible] year, Delta announced a drastic restructuring plan to cut $2bn a year from operating costs, in an attempt to overcome competition from low-cost US carriers such as Southwest Airlines. Since [illegible] it has unveiled measures which take it about halfway towards a targeted cut of between 12,000 and 15,000 jobs from a workforce of 73,000 in the next three years.

In the latest move, up to 1,200 Delta employees will transfer to the joint venture with AT&T. The new company, to be based in Atlanta, Georgia, will be owned equally by Delta and AT&T. A chief executive is expected to be named later this year.

AT&T said the creation of the joint venture represented a "major win" in the growing market for outsourcing and professional services.

The US group recently created a new organisation called Integrated Solutions to target integration and systems management opportunities.

Video conference, Page [illegible]

NFC chief quits after clash at transport group over shake-up

By Simon Davies in London

Mr Peter [illegible] has resigned after just [illegible] *months as chief* executive [illegible] NFC, Britain's largest transport and logistics group.

The former director [illegible] the Bass brewing and [illegible] group had been brought in to shake up a formerly state-owned company controlled by long-serving NFC executives, but ultimately the old guard won.

NFC would provide no reasons for Mr [illegible] departure, which follows a clash of personality and strategy with fellow director Mr Robbie Burns, who resigned from NFC in May after 23 years with the company.

NFC was bought from the UK government by its employees in 1982, and has made significant efforts to retain a large employee shareholder base and a paternalistic management culture.

Mr Sherlock was the first outsider to be brought in at a senior management level, and he had been expected to provide a fresh perspective and implement a shake-up of what appeared to be a complacent top management.

Six of the company's directors have been with NFC for more than 20 years, and the commitment to change appears to have been far from unanimous.

Mr Sherlock faced the opposition of Mr Burns, who had been successful in building up Exel, NFC's logistics business, which arranges the distribution of goods for producers and retailers and was the engine behind NFC's profits growth. *Mr Burns* was a contender for Mr Sherlock's job, and was far from keen on the *changes the new chief had in* [illegible].

Mr Sherlock's proposed [illegible]haul came in the form of a strategic review, proposing a focus on transport and logistics, and a merger of NFC's core [illegible] Exel and BRS.

He could receive up to £750,000 in compensation, based on his three-year contract.

NFC also announced profits of £76.6m ($118.7m) for [illegible] nine months to July, against £62.3m in [illegible] same period last year, well below analysts' expectations.

The share price fell 14½p to 185½p.

Lex, Page 12; Background, Page 17

OMV recovers to post first-half Sch240m profit

By Ian Rodger in Zurich

OMV, the Austrian integrated petroleum and chemicals group, has reported consolidated pre-tax profit of Sch240m ($22m) for the first half, compared with a loss of Sch552m in the corresponding period last year.

The partially privatised group said turnover [illegible] flat [illegible] Sch40.1bn as conditions in many of its markets remained weak. However, it was still aiming to make a profit in the full year through continued [illegible] cutting.

As expected, the pre-tax profit in the second quarter, [illegible] Sch50m, was considerably smaller than [illegible] in the first quarter. This was mainly due to squeezed refinery margins.

The exploration and production division fell into a [illegible] loss in the first half compared with a profit of [illegible] [illegible] to lower [illegible] oil prices, lower domestic [illegible] [illegible] and accounting changes.

The Schwechat refinery [illegible] went into [illegible] quarter [illegible] a slump in gasoline margins, but higher profits [illegible] the Burghausen refinery prevented any erosion from [illegible] Sch130m profit made by the refining division in the first quarter. It [illegible] a Sch380m [illegible] in the first half [illegible].

The [illegible] division's profit rose 26 [illegible] cent to Sch860m in spite of [illegible] prices and reduced transport business. The [illegible] storage arm performed well, taking advantage of increased capacity.

Profit in the marketing division jumped from a nominal Sch30m in the first half of 1993 to Sch150m in the same period of this year, mainly due to cost cutting within the [illegible] network.

The group said it saw "the first signs of a recovery" in its long troubled chemicals business in the second quarter, but the reduction in first-half losses to Sch60m from [illegible] was attributed mainly to cost-cutting.

Similarly, plastics [illegible] 4 per cent [illegible] Sch3.76bn [illegible] higher volumes, and [illegible] division [illegible] loss from Sch710m in [illegible].

Amstrad electronics director joins Sega

By Paul Taylor in London

Mr Malcolm Miller, [illegible] director of [illegible] electronics, has resigned to [illegible] Sega Europe, part of [illegible] Japanese electronic [illegible] group.

Mr Miller, 39, joined [illegible] in 1979 as product [illegible] while Amstrad was still a small private [illegible] by Mr Alan Sugar, [illegible] founder [illegible] chairman.

During the [illegible] Mr Miller, who previously worked for [illegible] Eye Foods, part of [illegible] Unilever group, became [illegible] Mr Sugar's closest and most loyal aides.

He is [illegible] with helping steer Amstrad through its rapid expansion [illegible] buoyed by "blockbuster" [illegible] electronics products [illegible] as cut-price compact [illegible] the Amstrad PC.

Yesterday, Mr Miller expressed [illegible] mixed feelings [illegible] Amstrad, saying it had been a very [illegible].

[illegible] Miller, who will [illegible] Amstrad next month, [illegible] Amstrad [illegible] "very exciting", and said it had been "a wonderful experience working with Alan Sugar". However, [illegible] Sega, [illegible] European operations are larger than Amstrad's, had [illegible] "a very [illegible] offer which I could not turn down".

Avesta Sheffield swings back to black

By Hugh Carnegy in Stockholm

Avesta Sheffield, the Swedish-British stainless [illegible] maker, yesterday announced a swing to profits of SKr431m ($57.1m) after financial items in the first six months, from a loss of SKr21m in the same period last year. It said it expected a further increase in earnings in the second half.

The result put the group firmly on a profits path for the first time since it was formed in late 1992 through a merger between Avesta and the stainless steel interests of British Steel. British Steel owns 40 per cent of the group.

Avesta Sheffield attributed the turnround to rising demand in Europe, particularly for cold rolled steel plate, its main product, and the effects of internal savings and favourable currency movements.

[illegible] rose 16 per [illegible] SKr8.3bn during the first half, compared with SKr7.14bn last year, and operating profits after depreciation jumped to SKr546m from SKr93m.

"The group result is influenced strongly by currency and price changes for stainless steel. With a continuation of current conditions, the result for the second half is expected to exceed the result for the first six months," said Mr Per Molin, chief executive.

Avesta said higher consumption and stock-building of cold rolled plate had shifted the balance between supply and demand in Europe. This had pushed up prices by 30 per cent compared with [illegible] end [illegible] last [illegible], although only [illegible] mid-1993.

Overall, [illegible] market had improved since [illegible] end [illegible], with European producers diverting sales [illegible] Europe from other markets to [illegible] demand [illegible].

The company, which earlier this year raised more than SKr590m through a rights issue, plans to [illegible] more [illegible] SKr1bn [illegible] years.

The board yesterday [illegible] go-ahead for a SKr250m [illegible].

Sector revival sparks Stora surge

By Christopher Brown-Humes in Stockholm

Higher volumes, cost-cutting and capital gains brought a dramatically improved performance at Stora in the first half, enabling Europe's biggest pulp and paper group to lift profits [illegible] SKr1.51bn ($200m) from SKr30m.

Helped by a long-awaited revival in the pulp and paper sector, group volumes climbed 5 per cent and capacity utilisation reached 92 per cent. However, the company has still to feel the impact of the higher prices which are gradually feeding through into [illegible] product areas.

Mr Lars Ake Helgesson, chief executive, said local currency prices had generally been lower in the first half than a year ago. Although the group has achieved higher prices for sawn timber and fine paper, a firm upturn in prices for newsprint and magazine paper grades is still awaited.

The SKr865m underlying improvement in the group's performance was enhanced by SKr617m in one-off gains.

On the plus side, the divestment of the Tarkett flooring material unit, Akerlund & Rausing, and forest assets in Chile brought in SKr914m in capital gains. However, these were offset by a SKr200m provision against a possible write-down of a Canadian pulp mill and a SKr105m provision for a fine imposed by the European Union for breaching competition rules. Stora says it may appeal against the EU decision.

Sales were SKr23.1bn, up 6.5 per cent after adjusting for divestments. The pre-tax figure benefited both from a stronger operating performance – where income rose to SKr2.14bn from SKr840m – and from reduced financial expenses of SKr625m, against SKr810m. The group has benefited [illegible] lower interest [illegible] and a SKr4.7bn reduction in net debt.

Nearly all [illegible] group's divisions improved their operating performance, with power, pulp, sawn timber and technical office paper units [illegible] returning to the black. However, the group's financial services unit was unable to repeat last year's exceptionally strong performance, and profits slipped from SKr385m to SKr173m.

Trygg-Hansa chief executive resigns

By Christopher Brown-Humes

Mr Björn Sprängare yesterday resigned [illegible] chief [illegible] of Trygg-Hansa, citing strong criticism of his performance and uncertainty over the group's strategy.

Mr Sprängare, who has led the company for eight years, said [illegible] was clear he did not enjoy the "full public confidence" necessary for effective leadership.

He [illegible] expected to leave [illegible] company during the autumn, after a [illegible] has been chosen from three short-listed candidates.

In deciding to step down, Mr Sprängare said [illegible] took full responsibility for a series of [illegible] ended in [illegible] and produced heavy losses.

[illegible] include [illegible] group's ill-fated alliance with SPP, the financial [illegible] group; [illegible] investment in [illegible] insurance [illegible] Home; and [illegible] involvement with the collapsed financial [illegible] Kredit. [illegible] alone brought [illegible] than SKr5bn [illegible] in [illegible] in 1992.

Mr Sprängare said the alliance with SPP had been "a complete failure", and his biggest mistake, leading directly to the costly investment in Gota AB.

He said changes following the crisis in the Swedish financial sector were partly to blame for the breakdown of the alliance.

Trygg's failure to win a banking licence, when competitors had been granted them, was perhaps the clearest sign it had lost the confidence of the authorities.

Trygg yesterday announced a sharply-reduced operating profit [illegible] SKr190m [illegible] the first [illegible] months, partly [illegible] of [illegible] per cent [illegible] in Home Holdings. A [illegible] group's operating profit [illegible] SKr884m.

[illegible] including the full impact [illegible] group's investment performance, it [illegible] loss from a SKr1.38bn profit. Unrealised [illegible] by falling bond markets were [illegible] main reason [illegible] the [illegible].

Group premiums fell 9 per [illegible] SKr3.6bn from SKr3.95bn, following the group's decision [illegible] run [illegible]. Underwriting [illegible] deepened to [illegible] from SKr322m.

Thorn EMI demerger ruled out

By Paul Taylor

Sir Colin Southgate, chairman of Thorn EMI, yesterday firmly ruled out an early demerger of [illegible] UK music [illegible] group, and said that the proposal was now "on the back-burner".

Sir Colin, speaking as Thorn unveiled an 18 per cent fall in first quarter pre-tax profits, reflecting exceptional charges, [illegible] "I [illegible] think we will look [illegible] demerger again for three years."

He said there was "no indication [illegible] any [illegible] upside [illegible] in a demerger [illegible] group's core music and retail divisions, and noted that the costs would be huge.

Thorn's shares, which have rallied recently [illegible] revived speculation [illegible] a demerger, closed down [illegible] 1054p.

The group's [illegible] three months to June 30 – the first time Thorn has reported the [illegible] quarter – showed a strong performance by its main businesses – EMI Music, Thorn Group and HMV – together [illegible] improvement in [illegible] other businesses.

However, pre-tax profits fell to £33.1m ($51.3m) from £40.4m, after a net exceptional charge of £13.1m, mainly on the disposal of Thorn Security. This was partly offset by a decline in finance charges to £6.2m from £12.5m.

Turnover from continuing operations rose to £928.8m from £870.8m, with discontinued operations contributing a further £2.3m, compared with £147.9m.

Profits from continuing operations [illegible] from £42.1m.

Overall, Thorn EMI's operating profits grew 2.5 per cent to £52.4m from £51.1m, in spite of a reduced contribution from discontinued operations.

Sales at EMI Music rose 16.6 per cent to £404.9m, and profits grew 14.6 per cent to £33m.

Thorn Group, the renamed rental business, posted a 9.8 per cent increase in operating profit, to £25.8m, on revenues which rose 6.2 per cent to £374.1m.

Sales at HMV increased 12.4 per cent to £87.8m with its seasonal loss falling 24.4 per cent to £3.4m. Store sales continued to grow on a like-for-like basis and the group opened a further 8 shops to bring its total to 188 stores worldwide.

Earnings per share fell [illegible] 3.1p from 8.4p on a fully-diluted basis.

Lex, Page 12

IN BRIEF

The aggregate profit after financial items of companies listed on the Helsinki bourse is expected to total FM11.86bn ($2.37bn) this year, compared with a loss of FM981m in 1993, according to the investment research department of Kansallis-Osake-Pankki, the Finnish bank, Reuter reports from Helsinki.

In 1995, the aggregate profit is expected to rise to FM20.07bn compared with the current record of FM14.7bn in 1988, KOP said.

■ The deadline for new offers from Accor and Forte for part of Air France's stake in Meridien hotels has been delayed to until tomorrow, Reuter reports from Paris.

Air France said it was expected to say which offer it was accepting after a September 14 board meeting.

Unidanmark tumbles to DKr207m at halfway

By Hilary Barnes in Copenhagen

Unidanmark Group, Denmark's second biggest bank, yesterday reported a fall in interim net profits to DKr207m ($34m) from DKr483m as the value of its securities portfolio slid.

The value of securities holdings fell by DKr252m during the first half of the year. Last [illegible] in the same period the comparable figure rose by DKr533m. Under Danish banking [illegible] the difference in the value of the [illegible] portfolio during [illegible] accounting period is entered directly into the profit and [illegible] account.

Reflecting improved economic conditions, the group said that [illegible] bad loss provi[illegible] fell [illegible] DKr950m in the first half compared with DKr2.34bn in [illegible] period last year.

The bank reported a 10.7 per cent growth in net interest and [illegible] income to DKr4.8bn from DKr4.3bn, while expenses were reduced by DKr68m [illegible] DKr2.97bn.

The bank said [illegible] performance [illegible] that efforts [illegible] re-establish [illegible] bank's market position, coupled with credit [illegible] and cost-cutting, are bearing [illegible].

The bank [illegible] rocked [illegible] which peaked at [illegible] in 1992, when bad debt provisions soared [illegible] DKr8.2bn. [illegible] provisions [illegible] now [illegible] reduced [illegible] 1.4 per [illegible] loans and guaran[illegible] compared with [illegible] per [illegible] in [illegible] half [illegible] last [illegible].

The capital adequacy ratio [illegible] the end of the second half was [illegible] per [illegible] compared with [illegible] per cent at the end of last year. No forecast was made for profits for the full year, but the bank [illegible] it expected [illegible] net interest income in the second half.

■ DFDS, the North Sea ferry and freight shipping group and European haulage business, reported a [illegible] half profit [illegible] DKr31.8m compared with a loss [illegible] Sales were up [illegible] DKr3.16bn from DKr2.65bn last year.

INTERNATIONAL COMPANIES [redacted] FINANCE

Deere announces record profit of $157m for term

By Laurie Morse in Chicago

Deere & Co. [redacted] agricultural [redacted] equipment manufacturer, yesterday reported [redacted] profits in the third quarter and [redacted] worldwide production [redacted] up 17 per [redacted].

The company earned $157.7m, or [redacted] a share, in the quarter, up from [redacted] $1.19, in [redacted] year's [redacted] quarter. Excluding [redacted] ing charges, [redacted] $100.1m in the third quarter of 1993. [redacted] in the quarter [redacted] per cent, [redacted] from [redacted].

Wall Street analysts [redacted] expected [redacted] to report [redacted] quarter, [redacted] magnitude of [redacted] earnings increase caught [redacted] by [redacted]prise. The company's [redacted] price jumped [redacted] in early [redacted] York trading yesterday, to $69¾.

[redacted] Hans Becherer, chairman, [redacted] "The company's [redacted] for [redacted] quarter [redacted] continued improvement [redacted]pared with a [redacted] primarily [redacted] higher [redacted] production and [redacted] volumes, [redacted] as improved operating efficiencies and better than previously anticipated results from our [redacted] operations."

For [redacted] Deere recorded [redacted] of [redacted], or [redacted], on [redacted] of [redacted], up [redacted] $154.9m, or $2.01, [redacted] special charges, on [redacted] of $5.57bn.

[redacted] per cent in the third quarter, to $535m. Although [redacted] still [redacted] a long-term [redacted] agricultural equipment [redacted] in Europe, Mr Becherer said: "The current outlook for 1994 anticipates industry [redacted] being slightly higher than 1993 levels."

[redacted] full-year [redacted] production [redacted] up 17 [redacted] over [redacted], from a previous forecast of 16 per cent.

The increase reflects the third-quarter production totals, which the company said would have been higher had it not been re-tooling production lines for a new large row-crop tractor line to be introduced in the fourth quarter.

The company cautioned that fourth-quarter output of some vehicles could be hampered by the availability of tyres, which have been in short supply.

Video conference picture begins to clear

AT&T's accord with Intel may remove system barriers, say Alan Cane and Louise Kehoe

Monday's agreement between AT&T and Intel, for them to develop and market desktop video conferencing (DVC), is likely to lead to the widespread adoption of personal [redacted] meeting systems.

[redacted], between the world's largest chip maker and the leading US telecommunications company, seems to have defused a situation which could have led to a standards war within the videoconferencing industry which would have damaged suppliers and customers.

Mr James Cosgrove, AT&T's general manager for business multimedia services, said customers and equipment manufacturers would be able to invest in personal videoconferencing without fear of being trapped in a technological blind alley.

However, some industry experts [redacted] with [redacted] wholehearted approval, arguing that the AT&T/Intel accord fudges the issue rather than promoting the idea of a single, industry-wide standard.

Intel sees desktop video conferencing as an important new capability that will drive demand for high performance PCs built around its microprocessor chips.

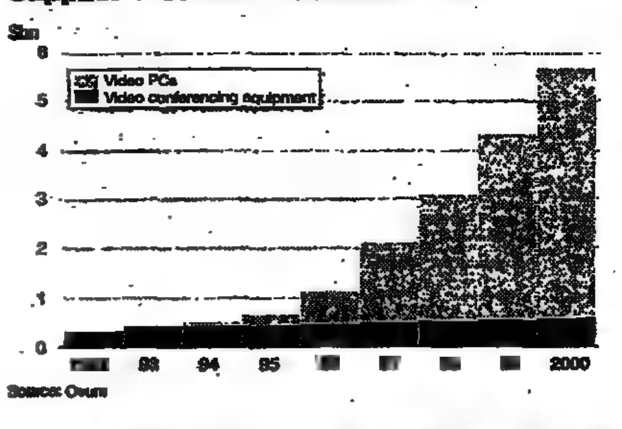
Mr Andrew Grove, Intel chairman, said: "All of this requires microprocessor power. This is very important for us because every time you do one of these conferences, you can almost hear your microprocessor take a deep breath... This is a pretty powerful application. It is [redacted] good application for high performance microprocessors. [redacted] we optimise [redacted] system for Pentium [Intel's top of [redacted] processor] [redacted] higher quality video."

Videoconferences – elec[redacted] meetings [redacted] of the participants [redacted] telecommunications [redacted] in [redacted] – [redacted] well [redacted] many inter[redacted] companies. ICL, [redacted] computer [redacted]turer, for example, holds weekly management meetings with Fujitsu, its Tokyo-based parent, using a large videoconferencing system.

The costs of corporate videoconferencing systems, while declining, remain high. A typical system [redacted] a supplier [redacted] as [redacted] UK [redacted] GPT, [redacted] A videoconferencing [redacted] cost [redacted] further [redacted].

A breakthrough has been the development [redacted] semiconductor chips that can be incorporated into electronic circuitry which converts a conventional desk top personal computer into a videoconferencing station, at an additional cost of about £1,000.

Supplier revenues from video PCs



The importance of DVC [redacted] two-fold. First, [redacted] growing cost of executive travel, it is seen by many as the future of business communications. "The business call of the future will be a [redacted]nce call from [redacted] PC," [redacted] Mr Frank Gill, general [redacted] of [redacted] prod[redacted] group.

Second, [redacted] is [redacted] as [redacted] application [redacted] will drive [redacted] growth [redacted] multimedia in business. According [redacted] Ovum, a [redacted] technology consultancy: "From 1996 onwards, sales of video PCs will take off rapidly eclipsing those of dedicated videoconferencing systems." Ovum estimates that sales of video PCs could approach $5bn by 2000.

In January [redacted] Intel introduced a set of PC add-on products [redacted] software it calls Proshare, which [redacted] a [redacted] into a video telephone. [redacted] heart [redacted] system [redacted] compression technology [redacted] Indeo, [redacted] joint [redacted] Intel and Microsoft, the world's largest software company.

The [redacted] low cost, [redacted] the result [redacted] not up to dedi[redacted] videoconferencing [redacted]dards. The picture [redacted] small and jerky in [redacted] but adequate for many [redacted] Intel [redacted] that video quality will improve [redacted] microprocessor power increases.

However, Proshare is not compatible with video-conferencing standards developed for [redacted] systems, most [redacted] which conform [redacted] a standard known as H.320. AT&T is a leading member of the industry group that developed [redacted] standard.

The essence [redacted] this [redacted] announcement [redacted] that Intel and AT&T will [redacted] build a technology bridge [redacted] Proshare and [redacted] network services.

Mr Cosgrove said the aim was [redacted] provide a system [redacted] to any [redacted] no matter what kind of [redacted] used to make the call. He gave the example of a customer making a conference call from his or her car – the connection might be to other participants using video PCs. At the office, the customer could change from portable phone [redacted] PC. The [redacted] responsible for translating between [redacted] technology and [redacted].

Mr Cosgrove said AT&T would be testing the new system in December and selling products based on it next year.

The question remains how [redacted] want to use DVC. [redacted] only want to see each [redacted] faces at the beginning and end of [redacted]. For [redacted] of the time, they are more concerned to be able to share information and work together on documents. Intel Proshare software can provide this capability without the [redacted] add-on equipment.

Instrumentarium buys Gambro medical unit

By Christopher Brown-Humes in Stockholm

Instrumentarium, [redacted] Finnish health care group, has agreed to buy the intensive care and [redacted] business of [redacted]bro, the Swedish medical equipment specialist.

The deal, on undisclosed terms, will give Instrumentar[redacted] business with 360 employees in 15 countries and annual sales of [redacted] ($58.4m). [redacted] main units [redacted] in Germany, the UK, Italy and Sweden.

The purchase [redacted] strengthen the Finnish group's [redacted] division, [redacted] world leader in patient monitoring equipment.

[redacted] care [redacted] only [redacted] division [redacted] report [redacted] when [redacted] announced its [redacted] figures last week. Health-sector investment restraints were blamed.

● Seco Tools, [redacted] maker, yesterday reported a [redacted] per cent jump in pre-tax profit for the first six months of 1994, AP-DJ reports.

The [redacted] predicted [redacted] full-year [redacted] for [redacted] compared with [redacted].

Seco's pre-tax profits advanced to SKr216m from [redacted] on sales which rose to SKr1.07bn, compared [redacted] SKr955m last [redacted].

QVC declines to $11.7m

By Patrick Harverson in New York

QVC, [redacted] US [redacted] television home-shopping group which earlier this month accepted a $1.4bn [redacted] offer from its two largest shareholders, yesterday reported second-quarter profits of $11.7m, down from $13.3m for the same period last year.

For the first six months of the year, QVC earned $23.8m, compared with $34.9m in the same period of 1993.

QVC is due to be bought out by the two shareholders – cable groups Comcast Communications and Liberty Media – later this year. The takeover foiled a previous attempt by QVC to merge with CBS, the broadcast television network.

The decline in profits during the quarter and half-year was blamed on the cost of setting up electronic retailing joint ventures in the UK and [redacted]. Although [redacted] 17m households in [redacted] countries, QVC does not yet make [redacted] profit from its overseas operations, which incurred losses of $9.6m in the quarter.

Net revenues were up 16 per cent during the quarter at $303.3m, and operating income by 31.5 per cent at $31.4m. There was little reaction to the earnings from investors, and QVC's shares eased $⅛ to $44⅝ in early trading on the Nasdaq stock market.

● CBS, which failed to win control of QVC earlier this year, yesterday said its offer to buy 3.5m of its own shares at $325 a share had expired with the tender oversubscribed. CBS plans to declare a five-for-one stock split, the date of which will be announced on September 14. The company's share price rose $3 to $315 in early trade on the New York Stock Exchange yesterday.

Charge cuts bank's income

By Robert Gibbens in Montreal

A C$46m special charge to cover a US subsidiary's investment losses reduced [redacted] Bank of Montreal's third-quarter net profit by about 5 per cent.

[redacted] income for [redacted] three [redacted] ended July 31 was C$172m (US$125), or 61 cents a share, down from C$180m, or 66 cents, [redacted] year earlier and 69 cents in the second quarter.

Return on equity was 13 per cent against 14.1 per cent.

[redacted] special charge stemmed from investment activities at Harris Bank in Chicago. [redacted] accounts in mortgage-backed securities, which dropped in value when interest [redacted] rose. [redacted] absorbed customer losses and itself took a special charge in its June quarter.

Bank of Montreal's [redacted] months' profit was C$557m, or C$2.02 [redacted] share, up 9.6 per cent from C$508m, or C$1.85. Return on equity was 13.6 per cent, which was little changed.

The bank's commercial property portfolio improved, leading to significant reductions in non-performing loans which stood at C$1.9bn at July 31, compared with C$2.3bn a year earlier. The provision for credit losses for fiscal 1994 is C$510m, against C$625m.

Strong [redacted] growth [redacted] fuelled by higher volumes in most sectors while [redacted] reached [redacted] at July 31, up 14.8 per cent year to year.

Non-interest expense, [redacted] the special charge, was up 6.6 per cent.

● Noranda, Canada's biggest resource group, is to build a C$25m pilot plant to test its process to extract magnesium from the hundreds of millions of tonnes of tailings in Quebec's asbestos mining area.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

[redacted] hour period ending	Provisional Prices for [redacted] 24.08.94 Pool purchase price £/MWh	Final Prices for trading on 27.07.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	[redacted]	13.30	15.67
0100	[redacted]	10.05	10.05
0130	[redacted]	10.05	10.05
0200	[redacted]	10.05	10.05
0230	[redacted]	10.05	10.05
0300	[redacted]	10.05	10.05
0330	[redacted]	10.05	10.05
0400	[redacted]	10.05	10.05
0430	[redacted]	10.05	10.05
0500	[redacted]	9.80	9.80
0530	[redacted]	9.80	9.80
0600	[redacted]	10.05	10.05
0630	[redacted]	11.22	13.59
0700	[redacted]	14.07	18.44
0730	17.10	16.57	18.94
0800	19.12	17.38	19.70
0830	18.18	17.30	[redacted]
0900	18.27	17.30	[redacted]
0930	21.10	18.48	20.87
1000	35.61	27.84	30.02
1030	36.55	27.84	30.03
1100	21.32	27.85	30.04
1130	21.46	18.55	20.94
1200	30.52	27.70	30.10
1230	30.51	27.58	30.08
1300	29.35	18.52	20.91
1330	21.17	18.50	20.88
1400	19.22	18.49	20.88
1430	19.18	17.34	19.72
1500	19.17	17.34	19.71
1530	19.17	17.34	19.71
1600	19.22	17.34	19.72
1630	19.29	17.35	19.73
1700	29.76	17.35	19.73
1730	35.43	17.35	19.72
1800	29.53	17.30	19.67
1830	18.17	17.29	19.68
1900	18.11	17.29	19.08
[redacted]	17.59	17.29	19.68
[redacted]	17.10	16.57	18.94
[redacted]	17.74	16.57	18.94
[redacted]	27.38	16.57	[redacted]
[redacted]	32.50	16.57	[redacted]
[redacted]	17.74	20.22	[redacted]
[redacted]	17.10	20.22	[redacted]
[redacted]	16.43	20.22	[redacted]
[redacted]	15.50	20.50	[redacted]
[redacted]	15.81	19.33	[redacted]

[redacted] are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the [redacted]n of pool prices is made in the Pooling [redacted] Agreements which govern the [redacted] the electricity pool in England and Wales. [redacted] Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any [redacted] the same as final pool prices for that day. [redacted] prices are also capable of revision. [redacted] is the price paid by purchasers [redacted] pool trading arrangements. It is [redacted] determination of Pool Purch[redacted] prices is provided on [redacted] Settlements and Information [redacted] such information [redacted] between 7.30am and [redacted] [illegible] Business Limited

Canon advances 84% at halfway

By Gordon Cramb in Tokyo

Canon, the Japanese office equipment and camera maker, lifted pre-tax profits by [illegible] per cent to Y28.54bn [illegible] in the first half to June as restructuring efforts paid off.

Parent company sales were up just [illegible] per cent to Y512.68bn. The company said it had achieved savings worth Y65bn, more than offsetting a Y38bn negative impact from appreciation in the [illegible] period. Canon has been hedging foreign currency and shifting production [illegible].

[illegible] of copiers fell by [illegible] per cent, cameras by [illegible] per cent and telecommunications equipment [illegible] per cent. However, a 12 per cent rise in [illegible] from computer peripherals, its largest product line, was enough to redress the balance. Other optical equipment, the [illegible] division, showed the sharpest growth at [illegible] per cent.

Domestic sales [illegible] per cent overall, while exports were up only [illegible] per cent, reflecting the increase in overseas production. By the end of the current year an estimated 30 per cent of all [illegible] is intended to come from products made outside Japan, up from 25 per cent a year earlier.

Moody's, the US credit rating agency, this week put Canon's long-term debt under review for possible upgrade because of improved competitiveness.

First-half net [illegible] per share rose from Y14.93 to Y20.44, from which a maintained interim dividend of [illegible] is being paid.

● TDK, the magnetic tape and computer peripherals producer, suffered a [illegible] per cent fall in worldwide net profits to [illegible] for the first quarter to June. Sales dipped [illegible] per cent to Y117.81bn and pre-tax profits were down 23 per cent to Y4.95bn. The company blamed price-cutting in some of its consumer markets and disappointing demand for [illegible] used in hard disk drives.

Second-half warning as Bangkok Bank rises

By William Barnes in Bangkok

Bangkok Bank, south-east Asia's [illegible] bank in asset terms, has reported a [illegible] per cent rise in net profits for the first half of the year to Bt8.386bn [illegible], after a 48 per cent rise in second-quarter net profits to Bt4.837bn.

The result was generally well received, but analysts warned that the bank's profits in the increasingly competitive banking sector may slow slightly in the [illegible] half. They also cautioned that a narrowing differential between lending and borrowing rates – now down to about 1 percentage point – will hit income in the second half.

Profits were [illegible] by accrued interest gains of nearly Bt800m from the Bangkok Expressway, the elevated motorway project for Bangkok financed by Thai and foreign banks. There were also foreign exchange gains of about Bt1.656bn, some Bt1.2bn [illegible]ing in the [illegible] quarter.

Jardine Fleming is maintaining its [illegible] net profits of Bt16.6bn for the year.

MTI climbs to T$159m profit

[illegible] Technology, Taiwan's leading producer of [illegible] communication and thin-film microwave components, posted pre-tax profits of T$159m [illegible] for the first half of 1994, up 19.5 per cent from a year earlier, [illegible] Tyson in Taipei.

Revenues climbed 23.5 per cent from [illegible] year ago to T$1.19bn in the year to [illegible].

Dah Sing agrees venture with UK fund manager

By Louise Lucas in Hong Kong

Dah Sing [illegible] Holdings, the Hong Kong-listed banking and financial services company, has agreed in principle to set up an investment management group in the colony with M&G Group, the London-listed fund manager.

The proposed joint venture will carve a niche in both institutional fund management and unit trust business in Hong Kong, broadening out to China and other countries in the region.

Dah Sing will have a controlling [illegible] per cent interest, with M&G supplying the balance and seconding senior staff to the venture. It is envisaged that the British company, which is the UK's largest unit trust group, will also supply the venture's chief executive.

Dah Sing last year expanded its presence in the colony with the purchase of the Wing On Bank, previously controlled by Hang Seng Bank, the Hong Kong banking arm of HSBC Holdings. This acquisition increased its branch network to [illegible] branches. The group has also entered a joint venture agreement to operate supermarkets in Shanghai.

Treasuries benefit from dollar's recovery

By Frank McGurty in New York and Antonia Sharpe in London

US Treasury bond prices improved yesterday morning as the dollar recouped some of its recent losses.

By midday, the benchmark 30-year government bond was

GOVERNMENT BONDS

⅛ higher at 99⅜, with the yield slipping to [illegible] per cent. At the short end, the two-year note was up $\frac{1}{32}$ at 99$\frac{25}{32}$, to yield 6.192 per cent.

For the second [illegible] day, there was no fresh economic guidance to push prices out of their tight range. Traders again focused on developments in the foreign exchange markets, where the dollar was recovering some lost ground against other leading currencies after [illegible] days of weakness.

Trading, which had remained light all morning, nearly dried up by midday, as the market paused and waited for the outcome of the Treasury's afternoon auction of $17.25bn in new two-year notes.

The impending sale had intimidated traders the previous session. With nagging concerns over monetary policy keeping many institutional investors on the sidelines, the market's capacity to absorb the new issue was questionable.

Yesterday, however, there was growing confidence that sufficient [illegible] would surface. After the two-year sale, the market was facing an $11bn [illegible] of five-year notes, [illegible] afternoon.

European government bond markets got off to a weak start yesterday as traders remained wary in the absence of any economic data. But they recovered in the afternoon due to a technical "squeeze" which forced dealers wanting to cover their short positions to chase bond prices higher.

The release today of US durable goods orders data for July and news from Germany on inflation in August could provide the markets with a fresh direction, analysts said. However, they added that volume was likely to remain thin until the end of the holiday season. "There is no fundamental reason for investors to get involved," said Mr Sanjay Joshi, chief economist at Daiwa Europe.

The main casualty of the day was the Italian government bond market, which fell heavily at the opening on a newspaper report which appeared to suggest that the government was considering a rise in the withholding tax on government short-term bills and certificates to 15 per cent from 12.5 per cent.

On Liffe, September Italian government bond futures lost 1¼ points to the day's low of 97.54 in reaction to the interview with Mr Filippo Berselli, under-secretary at the finance ministry. But they recovered to trade around 98.33 in late afternoon, down 0.47 point on the day, after the official said that the government had no plans to raise the [illegible].

Mr Julian Jessop, international economist at Midland Global Markets, said that in spite of yesterday's confusion, a rise in the tax was not out of the question. Indeed, such a move could well be accepted by the market if it was presented as part of a decent package of measures aimed at tackling the budget deficit. In any case most [illegible] investors did not pay the tax, he said.

News that the Bundespost was issuing DM2.5bn worth of 10-year paper did not thrill the bund market but prices ended higher on the day due to technical short-covering. On Liffe, the September bund future stood 0.23 point higher at 91.46 in late trading, off the day's low of 90.96.

Some dealers were hopeful that better-than-expected inflation data would provide some relief. A rise in the yearly rate to 3 per cent from 2.9 per cent had already been discounted by the market so a flat result could well produce a recovery, they said.

The firmer tone in bunds and a minor rebound in sterling helped UK gilts stage a late rally although the long end did better than the short end of the yield curve. On Liffe, the September long gilt future rose by ½ point to 100½ in later trading, off the day's low of 100$\frac{1}{32}$.

Hungary considers eurolira issue

By Antonia Sharpe and Conner Middelmann

The National Bank of Hungary, which borrows on behalf of the Hungarian government, is considering launching a eurolira bond offering.

Mr Frigyes Hárshegyi, the bank's deputy president, said in London yesterday that it

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had been given the "green light" by the Bank of Italy's market committee at the end of June.

A bond offering in eurolira would round off Hungary's recent drive to diversify its international funding sources. This year it has launched bond offerings denominated in yen, D-Marks, Swiss francs, dollars, sterling, Austrian schillings, French francs, pesetas, Luxembourg francs and guilders.

Mr Harshegyi said that the bank had raised around $1.9bn so far this year in the international bond market, which almost completes its $2bn foreign borrowing programme. "We are now viewing next year's requirements," he said.

The size of Hungary's borrowing programme next year is likely to be the same as this year's.

However, Mr Harshegyi said that foreign borrowing could be less than $2bn in 1995 if more loans from the World Bank and the European Bank for Reconstruction and Development are forthcoming. "The more the economy borrows on the private side the less we will have to do on the public side," he said.

He was also optimistic that Hungary's stable political situation and the economic transformation would allow it to achieve an investment grade rating in the near future. Its current ratings are Ba1 from Moody's and BB+ from Standard & Poor's, one notch below investment grade.

Meanwhile, [illegible] activity in the eurobond market was thin, with only one significant offering in the lira sector.

Rabobank Nederland issued L225bn of 11.5 per cent three-year bonds. The initial L150bn offering was increased to L225bn soon after launch due to strong [illegible] demand, said lead manager Swiss Bank Corporation.

The [illegible] of the bonds' high coupon and short maturity attracted demand not only from the [illegible] investors, but also from large institutional accounts, SBC said.

Indian groups turn to loans market

By Antonia Sharpe

Three of India's best-known companies have turned to the international syndicated loan market in [illegible] weeks, [illegible] by the continued erosion of margins and the willingness [illegible] international [illegible] to invest in [illegible] market.

Indian companies have been allowed to tap the international loans market since last October under a so-called "net exporter loan" scheme, whereby the loans are repaid from their net export earnings.

A $30m term loan facility with a maturity of [illegible] months for Indian Rayon and Industries, part of the AV [illegible] multinational group, has been closed following a significant oversubscription.

An official at ANZ, which arranged the loan with ABN-Amro, said Indian companies can now [illegible] pay an annual rate of around 1¼ per cent over Libor, down from 1¾ per cent at the start of the year. He added that a $12.5m two-year amortising loan which ANZ arranged for Tube Investments of India was also oversubscribed.

Meanwhile, Tata Iron and Steel, which exports around 20 per cent of its total sales, has asked ANZ to arrange a $25m two-year [illegible] to finance the purchase of equipment, raw materials or [illegible] for use in specified projects to assist in export enhancement. This loan is in the process of being syndicated.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.64
Belgium		7.250	04/04	92.4000	[illegible]	8.42	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	95.2000	[illegible]	[illegible]	[illegible]	9.25
Denmark		[illegible]	[illegible]	[illegible]	+0.150	[illegible]	[illegible]	[illegible]
France	BTAN	8.000	05/98	102.2500	[illegible]	7.38	7.20	[illegible]
	OAT	5.500	[illegible]	84.4900	[illegible]	[illegible]	[illegible]	[illegible]
Germany Bund		6.750	[illegible]	[illegible]	[illegible]	[illegible]	7.16	[illegible]
Italy		8.500	[illegible]	81.7000	[illegible]	11.72†	11.56	10.54
Japan	[illegible]	[illegible]	06/99	[illegible]	[illegible]	3.92	[illegible]	[illegible]
		4.100	12/03	[illegible]	[illegible]	[illegible]	[illegible]	4.39
Netherlands		[illegible]	[illegible]	89.6400	+0.100	7.31	[illegible]	6.87
Spain		[illegible]	05/04	[illegible]	+0.150	[illegible]	[illegible]	10.38
UK Gilts		6.000	[illegible]	[illegible]	[illegible]	[illegible]	8.35	[illegible]
		[illegible]	[illegible]	87-08	+1/32	[illegible]	8.55	8.29
		9.000	[illegible]	102-25	+2/32	[illegible]	8.81	[illegible]
US Treasury *		7.250	08/04	99-24	-	7.29	7.27	7.27
		7.500	[illegible]	[illegible]	-4/32	7.52	[illegible]	7.56
ECU (French Govt)		6.000	04/04	84.2900	+0.310	[illegible]	8.27	7.88

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at [illegible] per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
Prime rate	7¾	One month	[illegible]	Two year	6.23
Broker loan rate	6¾	Two month	4.59	Three year	6.55
Fed.funds	4⅝	Three month	4.70	Five year	[illegible]
Fed.funds at intervention	-	Six month	[illegible]	10-year	[illegible]
		One year	5.64	30-year	7.53

BOND FUTURES AND OPTIONS

France: NOTIONAL FRENCH BOND FUTURES (MATIF); LONG TERM FRENCH BOND OPTIONS (MATIF)

Germany: NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%; BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%; NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

Italy: NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%; ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Spain: NOTIONAL SPANISH BOND FUTURES (MEFF)

UK: NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%; LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Ecu: ECU BOND FUTURES (MATIF)

US: US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

Japan: NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE)

[illegible]

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Aug 23	Day's change %	Mon Aug 22	Accrued interest	xd adj. ytd
1 Up to 5 years (24)	120.06	-0.01	120.07	1.81	[illegible]
2 5-15 years (21)	138.89	+0.09	138.58	1.84	[illegible]
3 Over 15 years (9)	153.67	+0.16	153.42	0.88	[illegible]
4 Irredeemables (6)	176.92	+0.47	176.08	3.37	[illegible]
5 All stocks (60)	136.16	+0.08	136.06	1.85	8.44

Yields	Low coupon Aug 23	Aug 22	Yr. ago	Medium coupon Aug 23	Aug 22	Yr. ago	High coupon Aug 23	Aug 22	Yr. ago
5 yrs	8.54	8.53	6.42	[illegible]	8.88	[illegible]	[illegible]	[illegible]	[illegible]
15 yrs	8.58	8.58	7.20	8.89	[illegible]	7.35	8.93	8.95	7.58
20 yrs	8.51	8.54	7.32	8.69	[illegible]	7.42	8.78	[illegible]	7.50
Irred.†	8.61	8.66	7.47						

Index-linked							Inflation 5% Aug 23	Aug 22	Yr. ago	Inflation 10% Aug 23	Aug 22	Yr. ago
6 Up to 5 years (2)	185.55	+0.05	185.46	0.66	[illegible]	Up to 5 yrs	[illegible]	3.66	2.62	2.62	[illegible]	[illegible]
7 Over 5 years (11)	[illegible]	[illegible]	173.25	0.73	[illegible]	Over 5 yrs	3.77	[illegible]	3.31	3.58	3.59	3.12
8 All stocks (13)	174.01	+0.21	173.65	0.71	3.49							

Debentures and Loans						5 year yield Aug 23	Aug 22	Yr. ago	15 year yield Aug 23	Aug 22	Yr. ago	25 year yield Aug 23	Aug 22	Yr. ago
9 Debs & Loans (78)	127.10	+0.05	127.04	2.06	7.40	9.72	9.71	7.84	9.85	9.85	8.20	9.59	9.60	8.32

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Aug 23	Aug 22	Aug 19	Aug 18	Aug 17	Yr ago	High*	Low*
Govt. Secs. (UK)	[illegible]	[illegible]	91.19	[illegible]	91.98	101.51	[illegible]	90.69
Fixed Interest	[illegible]	108.82	108.88	109.37	109.59	123.97	133.87	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 [illegible], low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Aug 22	Aug 19	Aug 18	Aug 17	Aug 16
Gilt Edged bargains	83.1	89.8	84.7	96.0	[illegible]
5-day average	85.8	84.8	83.5	90.2	[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on August 23

U.S. DOLLAR STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS

[illegible]

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UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

COMPANY NEWS: UK AND IRELAND

Advance to £11m achieved despite decline in US print activities

Restructured Wace jumps 57%

By Paul Taylor

Further [illegible] reductions and improved productivity helped Wace, the restructured pre-[illegible] and specialist printing group, report a 57 [illegible] cent increase in pre-tax profits for the half [illegible] to June [illegible]

On turnover which slipped slightly to [illegible] (£165.5m), pre-tax profits increased from £7.04m to £11.1m.

Earnings per share jumped from 4.1p to 10p as the tax charge fell to £1.66m (£2.47m). That reflected [illegible] utilisation [illegible] trading [illegible] with the reorganisation of the property portfolio, resulting in a [illegible] 15 per [illegible] tax [illegible] for [illegible] year.

The interim [illegible] is increased by [illegible] per cent [illegible] 1.5p.

The shares closed 16p higher yesterday at 270p.

Mr Trevor Grice, chief executive, said the profits [illegible] drive for productivity improvements together with the group's clear focus on cash generation. That had helped reduce net borrowing by £7.4m to £51.8m at the end of June compared with peak borrowings of £100m less than two years ago.

Trading profits increased by 24 per cent to £14.1m (£11.4m) led by improved results from pre-press operations in the UK, the US and continental Europe.

The pre-press operations in Europe as a whole produced considerably improved trading profits of £4.52m (£3.63m) on turnover down from £44.3m to £42.9m.

In the UK, despite intense pressure in the publications market, the corporate advertising market had started to show signs of improvement and the packaging market remained buoyant.

The printing operations in the UK lifted profits to £5.69m (£4.49m) on turnover of £55.3m (£54.4m).

The strongest performing businesses were the specialist print operations although both corporate print and screen printing were also ahead of last year.

Trevor Grice: focus has been on cash generation

The group's US operations lifted trading profits by 20 per cent to £3.86m (£3.22m) on broadly similar turnover of £65.8m (£66.8m).

US print turnover and profits, however, were slightly lower because of operational problems with two new presses in Michigan.

● **COMMENT**

Wace's current management team continue to impress and the strategy pursued over the past 18 months of driving costs down, generating a strong cash flow and paying down debt appears to be working. Meanwhile, although gearing remains high, the balance sheet looks much healthier. The press problems in Michigan and £350,000 of Scottish commercial print restructuring costs will hold profits to about £23m this year, equivalent to 20.9p of earnings given the abnormally low tax rate. The shares are on a prospective multiple of 12.9 and could move higher as advertising volume improves.

Lower school sales hit Nottingham

By Simon Davies

Nottingham Group, one [illegible] UK's leading suppliers of educational products, yesterday [illegible] its [illegible] decline [illegible] profits for 12 years.

The setback came just five months after [illegible] flotation.

The shares fell 36p to 119p, having been as low as 110p, as the company revealed [illegible] further decline in sales [illegible] primary and secondary schools – its core business.

Pre-tax profits for the six months to June 30 fell 8.5 per cent to £3.61m (£3.94m), reflecting a 6 per cent decline in sales to schools. This was exacerbated by a shift towards lower margin products and [illegible] impact of increased marketing costs.

Nottingham's shares were issued in March at 155p, when the company stated in its prospectus: "The directors expect that turnover and profit during the current financial year will benefit from a combination of the release of cash reserves by schools, the recently introduced marketing initiatives and new product lines."

The peak period for sales to schools is from late May to the end of July, and Nottingham has found that schools have increased their budget reserves.

With the National Curriculum [illegible] be announced in January and implemented by [illegible] David Mansfield, [illegible] executive, expects [illegible] improve by mid-1995, as reserves fall. He said, however, that profits [illegible] the second half were still unlikely to match 1993.

Turnover from continuing operations rose from £23.4m to £23.8m, with sales for [illegible] rehabilitation [illegible] rising from [illegible] £5.7m. [illegible] increased.

Operating expenses rose from £7.55m to £7.8m, reflecting the cost of new marketing initiatives, which [illegible] yet [illegible] through into increased sales. Nottingham is looking for acquisitions in related businesses, as gearing has fallen from 55 to 40 per cent since the flotation.

An interim dividend of 1.84p is payable from earnings per share of 4.6p (5.12p).

Societies caution on housing growth

By Alison Smith

Benefits from sharp falls in provisions against bad and doubtful debts were reflected [illegible] pre-tax profits [illegible] half [illegible] this [illegible] reported yesterday by [illegible] the UK's larger [illegible]ies.

However, [illegible] societies expressed [illegible] about [illegible] growth [illegible] saying that they expected only slow [illegible].

[illegible] & Bingley, the sev[illegible] largest society, recorded pre-tax profits [illegible] £79.2m in the [illegible] months [illegible] the end [illegible] June – a 35 [illegible] cent [illegible] on [illegible] time's £58.8m. [illegible] fell steeply to £8.4m (£28.3m), and [illegible] rose [illegible] £14.1bn (£13.3bn).

Pre-tax profits at Bristol & [illegible], [illegible] 10th largest society, rose to £26m (£20.4m), after [illegible] restructuring [illegible] had been taken into [illegible]. Provi[illegible] fell to £21.1m [illegible], [illegible] assets rose slightly to £8.2bn [illegible].

Mr [illegible], B&W chief [illegible] said that the society planned to [illegible] some £150m of its commercial [illegible]ing, as a way of demonstrating the high quality of the loan book and [illegible] resources which could then be used in [illegible] lending.

Securitisation [illegible] to take [illegible] balance [illegible]. They place the assets in a special-purpose [illegible] which then raises money by [illegible] the debt securities [illegible] investors. [illegible] on the so-called "mortgage-backed" securities is funded by [illegible] loan [illegible].

Mr Burke said that the [illegible] had cut [illegible] proportion [illegible] funding it was [illegible] on the [illegible] money [illegible] to 22.8 per cent at the end [illegible] June, compared [illegible] per [illegible] at the end of [illegible].

As [illegible] element in strengthening B&W's operations as it recovers from a period in which it had high provisions and costs, the society is restructuring its estate [illegible] under the Hamptons brand name.

B&W's cost/income ratio was 52 per cent (53 per cent) for the group, while that for the society alone was 42 per cent (43 per cent).

Mr John Smith, [illegible] & Bingley's finance director, [illegible] that B&B's [illegible] ratio had risen slightly from 46 per cent to 47 per cent.

This was partly because intensifying competition was putting [illegible] on [illegible] through narrower margins, he said.

Prestwick rights issue only 25% subscribed

By James [illegible]

The £4.5m rights [illegible] launched by Prestwick Hold[illegible] company, [illegible] per cent [illegible] the company [illegible] yesterday.

[illegible] the low take-up for the 4-for-5 offering, Mr [illegible] Coulson, [illegible] chairman, said [illegible] pleased with [illegible] outcome.

"[illegible] issue [illegible] fully underwritten [illegible] means we [illegible] institutional shareholders and a [illegible] balance between institutions and private investors," he [illegible]. "It is [illegible] 50-50 [illegible] of around 30 [illegible] cent institutions and [illegible] per cent private."

Graseby blames end of cold war for unchanged £4.96m

By Tim Burt

Graseby, the [illegible], yesterday blamed [illegible] half profits on falling demand [illegible] its [illegible] equipment following the [illegible] up [illegible] the [illegible] Union and end [illegible] cold [illegible].

A [illegible] performance by [illegible] technology division, which makes [illegible] systems [illegible] explosives [illegible] chemical weap[illegible], [illegible] pre-tax profits [illegible] (£4.87m) [illegible] slid from £55.1m [illegible] £47.4m.

Worsening [illegible] gated the division from being [illegible] best-performing business [illegible] with [illegible] prof[illegible] from [illegible] to £1.05m.

However, [illegible] was [illegible] by improved figures [illegible] medical, environmental [illegible] product monitoring businesses.

"We have great growth prospects in [illegible] three [illegible] they will be [illegible] key [illegible] our future," [illegible] Mr [illegible] Lester, [illegible] executive.

[illegible] the sharpest improvement with operating profits increasing 83 [illegible] to [illegible] (£1.01m), helped by buoyant hospital [illegible] for [illegible] drug delivery systems.

[illegible] division claimed that [illegible] product, a pocket [illegible] infusion pump, could generate [illegible] £20m over the next [illegible] years.

The product monitoring division [illegible] operating profits [illegible] 69 [illegible] cent [illegible] (£1.16m) following UK cost-cutting and a [illegible] tion from Graseby Best.

Sales of emission monitoring equipment, meanwhile, lifted profits in [illegible] environmental division from £1.25m [illegible] £1.43m.

[illegible] group [illegible] from sharply reduced [illegible] payments of £396,000 (£799,000) as borrowing fell from £26.7m at the 1993 year end to £13.9m, for gearing of 53 per cent.

Earnings per share were flat at [illegible] (5.7p) and, as previously announced, [illegible] interim [illegible]dend is reduced to 2.7p (3.3p). The total dividend is expected to be unchanged at 6.6p.

AIB may enter the bidding for HMC

By Alison Smith

Interest from other mortgage lenders in acquiring *Household Mortgage* Corporation appears to be widening with Allied Irish Banks, the Irish Republic's largest banking group, now expected to be among the bidders.

Through a subsidiary, AIB has a stake of about [illegible] per cent in HMC, which has a residential mortgage book of £1.5bn. Yesterday AIB would only say that it was watching the sale closely as a shareholder.

Other potential bidders are thought to include a number of building societies, notably Yorkshire and Birmingham Midshires.

HMC, the UK's largest centralised lender, said last month that it was seeking a buyer, and appointed Baring Brothers to manage the sale.

Bidders have been asked to submit indicative bids in early September. HMC will then draw up a shortlist of those who will be able to make [illegible] revised bid after [illegible] inspection of the loan book.

The process is expected to take three or four months.

One difficulty for HMC may be that potential buyers are more interested in acquiring the mortgage book alone than in buying the company as an ongoing organisation.

Another factor is that the market in mortgage books is changing, particularly since Halifax Building Society's announcement that it was negotiating to buy the £1.5bn UK mortgage business of Banque Nationale de Paris.

Some potential bidders suspect that the prices at which mortgage books are [illegible] may [illegible] high.

First National [illegible] dips 16%

By John McManus

First National Building Society, the second largest in the Irish Republic, announced a 16 per cent decline in pre-tax profits to I£7.6m (£7.5m) for the six [illegible] to June 30.

The society blamed the fall on a [illegible] in investment income because of bearish [illegible] in the bond market.

It refused to comment on its bid for Mortgage Trust, SE Banken's UK mortgage operation, which is at the due diligence stage and [illegible] expected to be completed within the next four weeks. First National is thought to have offered £150m for the specialised lender which has mortgage assets of £750m and about 10,000 borrowers. However, First National could spend more than this, having raised £225m through a syndicated loan and revolving credit facility last June.

The society reported an increase in home mortgage lending from I£90m to I£107m and a reduction in arrears as a percentage of loans from 0.67 per cent at the end of last year to 0.61 per cent at June 30. Overall lending in the first six months was I£121m.

Operating profits, excluding gilts trading, were up 25 per cent to I£7.28m but after-tax income rose by just 1 per cent to I£5.1m.

NFC struggles to overcome City doubts

Recent events have not helped, writes **Simon Davies**

NFC had always prided itself on the strength of its paternalistic staff culture, but while Mr Peter Sherlock was chief executive there was [illegible] growing sense that [illegible] tide [illegible] turning. His departure yesterday suggests that the employees have, for the moment, won.

However, the company will struggle to win back respect from the City, where investors were already beginning to tire of the lack of results from Mr Sherlock's strategic review.

It is unclear whether this was the fault of Mr Sherlock, or the result of a lack of support from his fellow management, many of whom were far from enthusiastic about his overhaul.

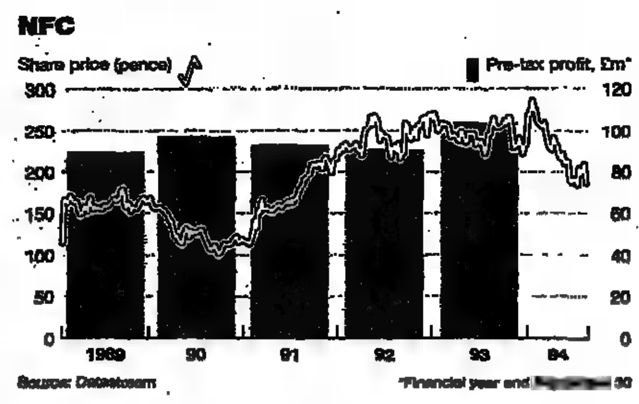
He certainly failed to turn round NFC's profit performance. June's interim results were disappointing, with no evidence of the economic recovery feeding through to profits, and no concrete results from the new strategy.

On the day of Mr Sherlock's departure, NFC disappointed again, with profits from Europe and North America below budget in the third quar[illegible].

"The stock [illegible] looking for [illegible] plan was working", said an analyst at a British brokerage. "The last thing we needed was this."

UBS Securities, brokers to NFC, have lowered their 1994 forecast from £120m to £110m, as [illegible] result of the disappointing [illegible].

Pre-tax profits before excep-



tional [illegible] rose only 6 per cent in the third quarter, despite the economic recovery and the £263m new funds from December's rights issue.

Mr Sherlock's strategic review [illegible] a refocusing [illegible] management attention [illegible] capital on the higher value added businesses in NFC's repertoire, namely transport and logistics.

The most controversial proposal was a merger of NFC's two largest businesses, BRS and Exel Logistics – a move which is understood to have been strongly opposed by some of the "old guard".

The logic was that a merger of transport and contract distribution would link the two ends of of the distribution chain, so removing costs and enhancing [illegible] businesses, such as [illegible] rental [illegible] parcels, [illegible] remain non-core operations.

The plan was welcomed by analysts, and [illegible] inevita[illegible] concerns that the removal [illegible] Mr [illegible] the pace [illegible] change, in [illegible] of [illegible] board's stated commitment [illegible] the strategy.

[illegible] appointment of Mr [illegible]lock, an outsider, implied [illegible] realisation that [illegible] paternalis[illegible] management [illegible] a little shaking up. Mr James Watson, chairman, will find it hard [illegible] demonstrate [illegible] commitment [illegible] opts for an internal replacement, such as Mr Robbie [illegible].

However, the problems [illegible] by Mr Sherlock may not encourage other leading executives [illegible] fill [illegible].

One fund [illegible]: "This company needs someone powerful who will take NFC by the scruff of its neck, tell the City what it is going to do, and then achieve it."

[illegible] expect something [illegible] in keeping with NFC's paternalistic [illegible].

Kerry rises 10% to £15m

By John McManus in Dublin

Kerry, the Irish food group, reported [illegible] 10 per [illegible] in pre-tax profits [illegible] I£15m (£14.8m) [illegible] the first six [illegible] of [illegible] following [illegible] performances by the food ingredients and convenience food divisions.

Overall sales increased 6.5 per cent to I£420m, mainly due to increases in the [illegible] in [illegible] America, [illegible] Kerry has expanded its food ingredients operations. There was a [illegible] decline in sales in European and other markets reflecting the [illegible] of the red meat business, signalled earlier this year.

Higher margins in the food ingredients and processed foods divisions pushed up operating profits [illegible] I£23m, representing margins [illegible] per cent (5.43 per cent). Sales from [illegible] ingredients [illegible] up to I£173m (I£153m) due to organic growth and increased contributions from North America.

Kerry is starting to feel the benefits of 1993's acquisition of two food ingredient companies in Canada for $20m, said Mr Frank Hayes, director of corporate affairs.

Earlier this year Kerry acquired another food ingredients business in Mexico for $20m and continued expansion of the foods ingredients division remains the strategic goal, said Kerry's chairman, Mr Michael Hanrahan, yesterday.

Kerry Foods, the convenience foods side, also reported increased sales, up [illegible] to [illegible].

The scaling back of Meadow Meats, the red meat operation, resulted in a fall in sales in that division to I£80m (I£89m).

Kerry Agribusiness, reported a small increase in sales from I£26m to I£28m.

Earnings per share emerged at 7.9p (7p). An increased interim dividend [illegible] 1p (0.91p) [illegible].

● **COMMENT**

[illegible] solid set of results slightly ahead of most forecasts leaves Kerry well positioned to fulfil ambitious full year earnings forecasts of between 20p and 21p per share and full year pre-tax forecasts of about I£39m. The second half will be aided by the beef slaughter in the autumn, further benefits from the Mexican and US acquisitions and a maiden input from Mattesons-Wall's, bought from Unilever in July. Kerry will have it all to do if it is to live up to these expectations, but [illegible] rarely disap[illegible] in the [illegible]. The prospective p/e of between 16.5 and 17 is expensive relative to the rest of the Irish food sector, but reflects Kerry's transition towards being an international food ingredients and processed food company. Comparisons of other international food ingredients companies are perhaps now more relevant as the scaling down of the red meat division will shift the balance further towards these parts of Kerry's operations.

SE looks at Rossmont offer

The Stock Exchange is making inquiries into the publication of [illegible] tender offer for shares in Rossmont, [illegible] quoted [illegible] maker, through [illegible] two UK national newspapers.

Berjaya Group (Cayman), [illegible] by an aggressive Malaysian conglomerate of the same name, announced in the Financial Times and the Daily Telegraph that it was offering 13¼p [illegible] for up [illegible] 29.9 per cent of the company.

Rossmont, floated last year, has recommended the offer. It has also agreed to issue shares to Berjaya at 13¼p to make up any shortfall on the 29.9 per cent.

Berjaya does not have to tell the Stock Exchange of its tender offer. Rossmont, however, is required to announce the subscription proposals. In the event, an announcement was not made until 10am. The Stock Exchange is discussing the situation with brokers Keith Bayley Rogers.

Mr Howard Drummon, of Keith Bayley said Rossmont believed the Berjaya offer was in shareholders' interests, even at a discount to last night's close of 14½p. "If the company does not come in, there may be a difficulty in maintaining this price," Mr Drummon said.

NEWS DIGEST

Friendly Hotels ahead 42%

Friendly [illegible] yesterday announced a 42 per cent increase [illegible] interim profits as trading improved [illegible] a [illegible] start to [illegible] period.

[illegible] turnover [illegible] 19 per [illegible] £16.1m, the pre-tax line [illegible] the [illegible] months to June 12 [illegible] £963,000 (£679,000), helped by associates' [illegible]tion of £525,000 [illegible].

Mr Henry Edwards, chairman, attributed [illegible] better showing [illegible] 27-strong hotel chain. Improved trading was [illegible] usually [illegible] second half, he said, and the group [illegible] still seeking "suitable" acquisitions.

The group's 13 serviced offices [illegible] encountering competitive trading conditions but maintained occupancy [illegible].

The interim dividend is held at 2.2p on capital increased by last September's £10m rights issue. Fully diluted earnings were 3.5p [illegible] per share.

Trans Union will not raise UAPT offer

Trans Union, the US credit information group, yesterday [illegible] it would not [illegible] 550p offer for UATP-Infolink, in spite of a higher bid from rival predator Equifax.

Equifax [illegible] offering [illegible] a share, [illegible] from 500p after Trans Union's offer. [illegible] Equifax's [illegible] referred to the Monopolies and Mergers [illegible] UATP's board [illegible] recommending Trans Union's [illegible] offer in light of the MMC risk.

Equifax's offer closes on Friday; [illegible] Union's will [illegible] on August 31.

Merivale Moore £12.4m purchase

Merivale Moore, [illegible] property investment company, [illegible] acquired [illegible] commercial properties from Sun Life [illegible] for [illegible] cash.

[illegible] company said that the portfolio had an initial yield [illegible] 11.5 per cent [illegible] was split [illegible] office [illegible] industrial [illegible].

The purchase [illegible] Merivale's acquisition in July [illegible] a £6m portfolio from [illegible] Holdings, which took [illegible] 20.5 per cent stake in Merivale in part payment.

Capital Industries dampens speculation

Directors of Capital Industries, the financial services and packaging materials group, yesterday moved to dampen specula[illegible] of a possible bid for the [illegible] that neither it nor Rutland Trust, [illegible] main shareholder, had received any approach nor been in any talks which might lead to an offer.

[illegible] sharp [illegible] in [illegible] company's share price from 174p to 184p [illegible] Monday. Yesterday, [illegible] shares eased [illegible] to 183p.

Eaglet Inv net asset value at 110.72p

Eaglet Investment Trust, launched in July last [illegible], reported [illegible] share [illegible] 110.72p at June [illegible]. The [illegible] was [illegible].

The trust, which invests in smaller companies, said that since December 31, when [illegible] was substantially invested, its [illegible] in [illegible] value had [illegible] the Extended HGSC Index by 7.7 per cent.

Net revenue for [illegible] weeks to end-June was [illegible] earnings per share of 1.68p. A single final dividend of 1.4p [illegible] recommended.

Net assets decline at Murray Intl

Net [illegible] value [illegible] Murray International Trust [illegible] from 381.9p [illegible] 324.2p over the six months to June 30. However, it [illegible] 310.6p reported 12 months earlier.

Net revenue for this investment trust in the half year to the end of June was lower at £8.06m (£8.35m).

The company has adopted FRS 4 covering the treatment [illegible] and [illegible] decided to allocate 60 per cent of the costs to capital and the balance to income. The comparatives have been adjusted.

Earnings per share came out at [illegible] 6.71p [illegible] fully [illegible]. [illegible] already forecast the company is paying three interim dividends of 2.7p, but is now forecasting a 1994 final of 3.9p. It also expects to pay an interim of 8.7p in three instalments for 1995.

TBI pays £9.7m for mixed portfolio

TBI, the property investment and development company, is paying £9.68m in [illegible] and shares to acquire a mixed port[illegible] 21 properties from Legal & General Assurance.

The portfolio consists of 14 retail units, five industrial units and two office buildings. The majority of the properties are in south-east England with three in the south-west and TBI intends to hold the portfolio for future development and resale.

Current total [illegible] rental income is [illegible] transaction, [illegible] will [illegible] a [illegible] per [illegible] in TBI.

YRM considering refinancing

Directors of YRM, the building design consultancy, said yesterday that they were considering a full range of strategic options [illegible] the company's future, including the possibility of [illegible] refinancing.

They stressed, however, that the considerations were at an early stage. The statement was in response to a recent rise in [illegible] price, which has risen from a low of 15½p last month to 28p yesterday – up 1p on the day.

Fidelity Euro Values net assets static

Fidelity European Values had [illegible] 167.76p per share [illegible] June 30, a marginal increase [illegible] the [illegible] figure of 167.49p.

The FT-A Europe (Ex UK) [illegible] fell by 3.49 [illegible] in the same period.

The trust, which [illegible] long-term growth through [illegible] continental European portfolio, reported retained revenue [illegible] £413,000 (£474,000) [illegible] six months, equivalent [illegible] earnings of 0.79p (1.14p) per share.

Ben Bailey falls 9% despite sales rise

[illegible] and land [illegible] helped Ben Bailey Construction, the [illegible] Yorkshire-[illegible] housebuilder, lift turn[illegible] from £7.1m to £9.25m in [illegible] six months [illegible] June [illegible].

However, pre-tax profit dropped [illegible] from [illegible] £70,000, which Mr Richard Bailey, chairman, said [illegible] initial [illegible] set-up [illegible] and increased staffing.

The [illegible] new homes sold rose by 14 per [illegible] with reservations [illegible] 20 per cent, but Mr Bailey warned there had [illegible] falling away [illegible] purchaser confidence [illegible] last two months".

Earnings [illegible] fell from 0.51p [illegible], but the interim dividend [illegible] maintained at 0.3p.

Scottish Eastern net assets dip 10%

Scottish Eastern Investment Trust reported net assets down 10 per cent at 95.3p as at July 31, against 105.4p six months earlier. The result, however, was 10 per [illegible] higher than at the same stage in 1993.

Net revenue for [illegible] months dropped from £5.12m [illegible] £4.48m, while earnings per share came to 0.7p (0.8p). The interim dividend is held at 0.52p.

Caparo in $59m acquisition offer

Caparo Group, [illegible] priva[illegible]-owned UK steel and engineering concern, is said to have offered $59m (£38m) for the assets of Sharon Speciality Steel, the US steelmaker.

The acquisition offer, Caparo's largest to date, was reported to have been disclosed in a reorganisation plan filed to a US bankruptcy court, which is administering Sharon under Chapter 11.

It follows the announcement earlier this month that Mr Swraj Paul, the Anglo-Indian businessman who founded and chairs Caparo, had signed a letter of intent to buy the US group.

If the deal goes through, it would transform Caparo into a $1bn (£600m) company.

StanLife grows unit trust side

Standard Life Fund Management, the unit trust company, starts business today following the decision by Standard Life, the UK's largest mutual life insurer, [illegible] buy [illegible] Halifax Building Society, [illegible] former partner in [illegible] business.

Halifax Standard Trust Management [illegible] two trusts, Income Advantage and Global Advantage, with 68,000 [illegible] and funds [illegible] more than [illegible]. The new company will [illegible] a UK equity growth trust, which was marketed through Standard's other unit trust company.

Developing the new wholly owned company could lead to a more fundamental re-structuring of Standard's unit trust subsidiaries.

DIVIDENDS ANNOUNCED

	[illegible]	Date [illegible] payment	[illegible] - ponding [illegible]	[illegible] year	Total last year
Bailey (Ben) ......int	[illegible]	Oct 20	0.3	-	[illegible]
Eaglet Inv Trust ......fin	1.4	[illegible] 28	-	1.4	-
Friendly Hotels ......int	2.2†	[illegible]	2.2	-	5.7
Graseby ......int	2.7†	[illegible] 1	3.3	-*	[illegible]
Kerry ......int	1§	[illegible] 25	0.91	-	[illegible]
Murray Intl ......int	8.1‡	-	[illegible]	-♠	[illegible]
Nottingham ......int	[illegible]	[illegible] 21	-	-	-
[illegible] East ......int	0.52	-	0.52	-	[illegible]
Wace ......int	1.5†	Oct 12	1	-	3.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. *Final of 3.9p forecast, maintaining total. ♥19 month period to end-December. ‡Payable in three instalments. ♠Final of 3.9p forecast. §Irish pence.

COMMODITIES [illegible] AGRICULTURE

Coffee prices jump [illegible] buyers find supplies tight

By Alison Maitland

Buying interest from coffee manufacturers and a shortage of supplies drove coffee futures prices sharply higher in London yesterday.

The second position robusta contract rose $156 to close just below the day's high at $3,570 a tonne, giving a two-day rally of 7.7 per cent.

London Commodity Exchange [illegible] were helped by [illegible] strong performance in [illegible] York [illegible] Monday, which continued yesterday. The December arabica contract was [illegible] stronger in afternoon trading at 197 cents [illegible] pound.

The rally took London prices back to the levels of two and a half weeks ago. But November futures were still about $500 off the peak reached in the wake of the second frost in Brazil in early July.

"At the lower levels of the past two weeks there has been significant interest from roasters to accumulate and extend their cover," said Mr Robert MacArthur, head of tropical trading at Merrill Lynch in London.

"Selling by growers is [illegible] they don't want to be too aggressive in selling at these lower levels."

Continued dry [illegible] in Brazil has encouraged [illegible] bulls, since it is likely to hamper the flowering [illegible], which begins next month. The US Department of Agriculture warned last week that rainfall was now needed for [illegible] "favourable" flowering season.

Some traders were expecting trade demand to increase in the run-up to the important winter roasting period, but they hesitated to predict how much prices might [illegible] while the true extent of the frost damage in Brazil was still unclear.

Brazilians expand plantings

Higher world market prices for [illegible] coffee [illegible] since [illegible] introduction last October [illegible] the producer's export [illegible] scheme [illegible] in expanded plantings in [illegible] and [illegible] Paulo [illegible] the German [illegible] industry [illegible] DKV [illegible] yesterday, reports Reuters from Hamburg.

The use of [illegible] had also increased, [illegible]ccording [illegible] an [illegible] in DKV's bulletin assessing Brazil crop damage following the June and July frosts.

Some farmers might still be able to reap good harvests and to reinvest their higher earnings in the wake of frost damage to the 1995-96 crop, DKV said.

About 1bn Brazilian coffee trees, a quarter of the total, had been felled between 1991 and 1993 as depressed world prices made production largely unprofitable.

Brazil's 1994-95 crop would be in a range of 22m to 25m bags (60kg each), while the 1995-96 crop should be reduced by 9m or 10m from 25m to 30m bags expected before the frosts, the article said, citing US and trade estimates.

The [illegible] authorities had put the frost-hit crop at 15m to 17m bags.

Depending the extent of the damage, which will not [illegible] fully apparent until October, Brazil could return to good harvests as early as 1996-97, DKV said. In any case sizeable crops were likely to re-emerge in [illegible].

Producers to discuss rubber pact

The world's main rubber producing nations will meet in Thailand [illegible] month to [illegible]cuss their negotiating strategy for a new global price stabilisation pact, an official from a rubber producers council said here yesterday, reports Reu[illegible] from Kuala Lumpur.

Mr [illegible] Promdej, secretary-general of the Association of Natural Rubber Producing Countries said the meeting would be held in Hatyai [illegible] September 23 and 24.

"[illegible] will have [illegible] round of informal talks there before we go to Geneva for the second round of negotiations for a new agreement," he said after the ANRPC met.

Major rubber producing and consuming nations are to [illegible] in [illegible] from [illegible] to negotiate [illegible] International Natural Rubber Agreement.

[illegible] and consumers remain at odds over the bench[illegible] prices [illegible] rubber, with producers saying they are too low and consumers saying they are just right.

[illegible] ANRPC groups India, Indonesia, Malaysia, Papua New Guinea, Singapore, Sri Lanka and Thailand, which between them control about 80 per cent of the world's supply. It met in Kuala Lumpur to discuss decisions taken by a spe[illegible] of [illegible] International Natural [illegible] Organisation on Monday.

The Inro council decided to continue selling rubber from its stockpile in a so far vain attempt to pull down prices from six-year highs.

Mr Sucharit said the informal round in Hatyai would focus on demands by producers for higher reference prices for rubber, which have remained basically unchanged since the first rubber pact was agreed in 1979.

Australian farm returns boosted by livestock

By Nikki Tait in Sydney

Australian [illegible] saw an overall 4 per cent increase in prices received in 1993-94. But the improvement, which compared with [illegible] 2.1 per cent fall in 1992-93, was largely due to higher returns from livestock [illegible]. Crop prices were generally [illegible] than in the previous year.

The [illegible] produced by the Australian Bureau of Agriculture [illegible] Economics and published yesterday, [illegible] cattle prices [illegible] by [illegible] cent, thanks to to a reduction in slaughterings and higher export prices. Prices of lambs and sheep rose by 12 and 23 per cent respectively, while wool prices were 3.9 per cent higher.

Grain prices, by contrast, fell for the second year in succession, with a 6.7 per cent decrease in 1993-94 following the 4.6 per cent dip in 1992-93. The price fall for barley was 13 per cent and for wheat, 9.6 per cent. Only a few crops bucked the trend: sugar prices, for example, rose 12 per cent and tomato returns were up 30 per cent. Wine grape growers enjoyed a 17 per cent rise, while cotton prices were up 5.5 per cent.

The index of prices paid by farmers rose by only 2.6 per cent, with the most noticeable increases coming for store and breeding stock and for plant and equipment.

European sugar cut predicted

European beet sugar production would fall to 29.18m tonnes in 1994-95 from 31.91m in 1993-94, German statistical agency F.O. Licht forecast yesterday, reports Reuters from Ratzeburg.

Western Europe would produce 19.24m tonnes, down from 21.02m, and eastern European 9.94m tonnes, against 10.89m.

Oil market takes stock after sharp fall

By Robert Corzine

Oil prices steadied yesterday as traders pondered whether the latest sharp falls signalled a breakdown in prices or merely a deep correction.

The price of the benchmark Brent Blend was about $15.90 a barrel in late London trading yesterday, 20 cents up from the close of $15.70 on Monday, when [illegible] 60 cent fall pushed the Brent price below $16 for the first time since June.

Some analysts yesterday said heavy selling by commodity and derivative funds were a big factor in pushing prices down. But one London trader noted that it was the "oil community" that started the selling spree.

The latest falls in large part reflected a growing conviction in the markets that the political crisis and strike by oil workers in Nigeria would not lead to further big supply disruptions. "The markets have discarded Nigeria as a factor," according to Mr Peter Gignoux, head of the energy desk at the London office of US brokers Smith Barney.

Other analysts noted [illegible] concern over a cut-off in Nigerian supplies coincided with prices approaching the top end of the $15-$19 range which many have predicted for the year.

"The Nigerian crisis hit at a time of upside fatigue," said Mr Vahan Zanoyan, an analyst with the Washington DC-based Petroleum Finance Company.

He believed prices went up too fast in response to the threat of major supply disruptions, which never materialised. Prices at the higher end of the range needed continuous support from events and were "more sensitive to bearish [illegible]," he added.

Another factor contributing to the oil price fall was the imminent shut down for maintenance of a large number of [illegible] refineries. In addition there are plentiful supplies, especially from the North Sea, of the light crude oil which Nigeria mainly produces.

Most analysts, however, are predicting that supply pres[illegible] likely to emerge towards the end of the year. This is because of rising world demand and the fact that other members of the Organisation of Petroleum Exporting Countries [illegible] far showing no [illegible] cheating on their pro[illegible] quotas.

Gold market absorbs fund 'dishoarding'

By Kenneth Gooding, Mining Correspondent

At least 880 tonnes of gold (28m troy ounces) was bought by hedge and commodity funds in 1993, according to estimates by the American Precious Metals Advisors consultancy organisation.

It suggests that the funds then sold at least 520 tonnes (17m ounces) in the first half of 1994.

Mr Jeffrey Nichols, APMA's president, says gold sales by the funds have undoubtedly continued in the second half of this year.

"[illegible] quite [illegible] this incremental supply without much agony and the price of gold has remained mostly in the $375 to $395 [an ounce] range," he says in the latest issue of APMA's MetalsFAX.

"This is testimony to the strength of investment and jewellery demand from Asia and the Middle East," he states. "The implication is that, when institutional dishoarding [of gold] has run its course, barring a resumption of large central bank sales, there will be insufficient supplies to satisfy market requirements."

Mr Nichols points out that most of the gold buying and selling by the funds was principally through derivative instruments such as exchange-traded futures; over-the-counter, or dealer, forwards; options; and warrants. Some other large-scale players in the gold market, particularly many European and Middle Eastern investors who years ago participated exclusively in the physical bullion market, are also now trading principally in derivative instruments.

He argues that this change has obscured their activities to some analysts, "resulting in a false picture of what's really going on in the gold investment arena".

Mr Nichols suggests that the markets for gold derivatives and bullion are not really separate and distinct markets, but are "a seamless, interrelated, single market," because every purchase or sale of gold derivatives translates into buying or selling of gold bullion in the physical market.

MetalsFAX: US$7,000 a year from APMA in Vermont, US, on fax: 802 985 5436.

MARKET REPORT

Copper leads LME metals to firmer ground

Significant underlying [illegible] for COPPER uncovered by a dip yesterday morning gave encouragement to other London Metal Exchange contracts, which closed mostly higher on the day.

"Everyone wants to buy copper on dips . . . there's a widespread feeling that the copper price could move up strongly in September," a trader commented.

Early dealer selling and liquidation and an LME warehouse stocks rise put copper on the defensive in early trading and the three months delivery position fell to $2,370 a tonne. But at the close it was at $2,390, up $7 a tonne.

Traders said the early sell-off in copper reflected volatility created by the market adjusting to a new, lower, short-term trading range.

ALUMINIUM was also undermined by a stocks rise, three months metal dipping to $1,477 a tonne in early trade. A [illegible] recovery for the rest of the day triggered shortcovering in [illegible] hours trading, however, which prompted a burst up to $1,504, up $19 from Monday.

Traders [illegible] that selling was likely to be attracted above $1,500, though a break above $1,510 could signal fresh gains.

ZINC remained underpinned by trade buying and rallied to the top end of its narrow trading range late in the day. From a morning low of $963 a tonne the three months price rallied to $969, up $5 on the day.

European precious metals markets remained quiet as New York, where most of the recent moves have started, failed to offer direction.

In London GOLD closed at $382 a troy ounce, down 70 cents, while SILVER eased 2 cents to $5.22½ an ounce.

Compiled from Reuters

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+2,600	to 2,467,175
Aluminium alloy	-120	to 26,160
Copper	+2,075	to 355,850
Lead	-850	to 368,925
Nickel	+762	to 138,192
Zinc	+8,050	to 1,234,175
Tin	-30	to 31,435

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1480-81	1480-81
Previous	[illegible]	1486.5-7.5
High/low		1504/1477
AM Official	1460.5-1.0	1480-80.5
Kerb close		1504-5
Open int.	274,294	
Total daily turnover	38,811	

■ ALUMINIUM ALLOY ($ per tonne)

Close	[illegible]	1550-55
Previous		[illegible]
High/low		1565/1540
AM Official	1530-5	1550-5
Kerb close		1550-55
Open int.	2,682	
Total daily turnover	408	

■ LEAD ($ per tonne)

Close	565.5-6.5	583.5-4.0
Previous	564-5	582-3
High/low	567	587/583
AM Official	567-8	584-4.5
Kerb close		583-3
Open int.	40,654	
Total daily turnover	[illegible]	

■ NICKEL ($ per tonne)

Close	5725-35	5825-30
Previous	5690-700	5785-90
High/low		5845/5775
AM Official	5750-55	5840-45
Kerb close		5830-5
Open int.	56,475	
Total daily turnover	[illegible]	

■ TIN ($ per tonne)

Close	5180-85	5260-65
Previous	5180-85	5260-65
High/low		5290/5260
AM Official	5200-05	5280-85
Kerb close		5250-60
Open int.	[illegible]	
Total daily turnover	3,003	

■ ZINC, special high grade ($ per tonne)

Close	938.5-40.5	964.5-5.0
Previous	[illegible]	964.5-5.5
High/low		969/963
AM Official	940.5-1.5	965-6
Kerb close		969-70
Open int.	89,669	
Total daily turnover	19,301	

■ COPPER, grade A ($ per tonne)

Close	2370-1	2385-86
Previous	[illegible]	2384/2370
High/low	2377/2376	2391-2
AM Official	2377-78	2389-90
Kerb close		
Open int.	211,189	
Total daily turnover	40,994	

■ LME AM Official £/$ rate: 1.5541
LME Closing £/$ rate: 1.5540
[illegible]

■ HIGH GRADE COPPER (COMEX)
[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by [illegible] Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	381.90-382.20	
Opening	381.20-381.60	
Morning fix	381.25	245.414
Afternoon fix	381.25	245.288
Day's High	382.00-382.30	
Day's Low	381.20-381.50	
Previous close	[illegible]	

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....4.28 6 months 4.52
2 months ....4.30 12 months 4.86
[illegible] months 4.32

Silver Fix	p/troy oz.	US cts equiv.
Spot	335.45	521.30
3 months	339.10	527.35
6 months	344.80	534.35
1 year	357.25	550.85

Gold Coins	$ price	£ equiv.
Krugerrand	386-389	248-251
Maple Leaf	391.75-394.20	-
New Sovereign	89-92	57-60

Precious [illegible] continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)
[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)
[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)
[illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)
[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)
[illegible]

■ CRUDE OIL IPE ($/barrel)
[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)
[illegible]

■ GAS OIL IPE ($/tonne)
[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)
[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)
[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)
[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)
[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)
[illegible]

■ BARLEY LCE (£ per tonne)
[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)
[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)
[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)
[illegible]

■ POTATOES LCE (£/tonne)
[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)
[illegible]

Minor Metals
[illegible]

SOFTS

■ COCOA LCE (£/tonne)
[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)
[illegible]

■ COCOA (ICCO) [illegible]

■ COFFEE LCE [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)
[illegible]

■ COFFEE (ICO) (US cents/pound)
[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)
[illegible]

■ WHITE SUGAR LCE ($/tonne)
[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)
[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)
[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)
[illegible]

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)
[illegible]

■ CRB Futures (Base: 1967=100)
[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)
[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)
[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lb)
[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME
[illegible]

■ COPPER (Grade A) LME
[illegible]

■ COFFEE LCE
[illegible]

■ COCOA LCE
[illegible]

■ BRENT CRUDE IPE
[illegible]

LONDON SPOT MARKETS

■ CRUDE OIL, FOB (per barrel/Oct) +or-
[illegible]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)
[illegible]

■ OTHER
[illegible]

CROSSWORD

No.8,540 Set by GRIFFIN

ACROSS
1 Doubt there's a film on plant disease (8)
[illegible] Courses we put into groups (6)
9 [illegible] crooked director is one owed money (6)
10 [illegible] club [illegible] seedy [illegible] 50% (6)
11 Succeed in [illegible]wing secure capital (8)
12 Caught despicable person with ruler making hole (6)
14 Competitor being agreeable sat around inside (10)
18 Coming round about clothing (10)
22 Object bearing "Reserved" (6)
23 MC involved in a march (8)
24 Fancy having time to take it back (6)
25 May be a circular container (8)
26 Views religious instruction in high places (6)
27 Declining a set of ten good books (8)

DOWN
1 Mother was mad about top class birds (6)
2 Colour of princess is brought up (6)
3 Collecting endless dried fruit (6)
4 Scratch on panel which shows state of play (10)
6 Was embracing one very continental restaurant employee (8)
7 Final change of venue at Leatherhead (8)
8 Soak from South Africa going round old city gallery (8)
13 One layer gets moved round revealing prehistoric site (10)
15 [illegible]ution in coppers is almost rude (8)
16 Tim's car I recollected being a potential killer (8)
17 Said why one always goes ahead of all and sundry (8)
19 Films soldiers I caught lifting article (6)
20 Lay on one male model (6)
21 Home about [illegible] after five, make up (6)

Solution 8,539

P	L	I	G	H	T		C	O	M	P	O	S	E	R
L		N		A				F		E		T		E
A	F	T	E	R	S		A	F	T	E	R	A	L	L
N		I		D				S		L		D		A
K	I	M	O	N	O		C	E	L	E	R	I	T	Y
T		A		E		S	A	T		R		A		S
O	B	T	U	S	E		N				A			
N		E		S	E	N	D	O	F	F				D
				L		O		T	R	E	S	L		E
A		M		A		G	U	Y		E				C
C	H	A	N	D	L	E	R		G	E	N	[illegible]		A
C		R		D		T				H				D
E	N	V	I	S	I	O	N		B	A	T	T	L	E
N		E		U		U				N		E		N
T	E	L	E	P	A	T	H		A	D	V	E	N	T

JOTTER PAD

[illegible]

هكذا من الاصل

LONDON STOCK EXCHANGE

MARKET REPORT

Strong opening on Wall Street lifts UK equities

By Steve Thompson

A strong rally in the dollar after prolonged weakness provided a much-needed boost to international bond markets and helped resuscitate a UK equity market suffering from an acute dose of inactivity.

The FT-SE 100 index ended a difficult [illegible] a [illegible] 3.8 higher at 3,171.3 and there was a feeling around the City's trading desks that *a good closing* performance by Wall Street could see the UK equity market launch another attempt on the 3,200 level. There was [illegible]ment for that view after London closed with the Dow-Jones Average up more than 26 points more than two hours after trading finished in the UK.

The FT-SE Mid 250 index moved in tandem with the senior FT-SE index, ending the day 3.6 up at 3,753.4 and was given a substantial push by another strong performance from the utilities areas of the market where there were persistent rumours that a predatory move against one of the regional electricity stocks might materialise sooner rather than later.

The main driving force for share prices in London came from the gilts market where long-dated stocks, which were down almost half a point early in the session, rallied to end the day fractionally higher on balance.

The dollar's improvement, which drew an instant response across international financial centres, came as markets were said to have adopted an early bullish view of the current series of bond auctions. Yesterday saw the auction of over $17bn worth of two-year bonds while today brings the sale of $11bn of five-year debt. Traders also said that the dollar had been oversold and [illegible] a rally.

Many dealers remained unconvinced that the market was about to move ahead, pointing to the recent low turnover levels in what is traditionally once of the quietest trading periods of the year. Turnover in equities yesterday was 556.5m shares, with non FT-SE 100 stocks accounting for just short of 60 per cent of the total.

Sentiment at the close was in marked contrast with the early part of the trading session. An early attempt to mark stock prices higher succeeded only briefly as both the FT-SE future and the long gilt future were hit by flurries of substantial selling pressure.

The FT-SE 100 which posted a gain of around two points minutes after the opening subsequently ran back to show a double-figure [illegible] in mid-morning.

Thereafter, prices began to stabilise, recognising the gradual improvement in the dollar, and subsequently improved to close at the day's best levels.

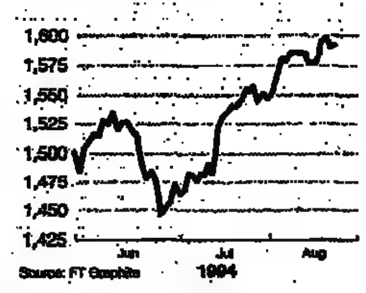
Late trading was featured by a series of big individual trades, including the purchase of a block of 2.2m Vodafone, the [illegible] leading cellular phones group. The FT-SE 100's best individual performance came from Prudential where one institution was said to have paid 318p a share for a block of 1.6m shares. Insurance shares are among the market's worst performers this year, dealers said.

Financials also provided two good performers in Barclays, which shrugged off recent switching into NatWest and responded instead to a bullish circular, and Bank of S[illegible]land, which continued to respond to a [illegible]t upgrade. Guinness, the brewing and distilling group, was also heavily traded as the session drew to a close.

Worries about developments in milk marketing continued to affect the market's two big dairy prod[illegible] groups, Northern Foods and Unigate.

NFC, the transport group, was the FT-SE 100's worst performer, slipping back in the wake of the resignation of the chief executive and a profits warning. NFC is now regarded as the prime candidate to drop out of the prestigious FT-SE 100 list when the constituents list is next reviewed.

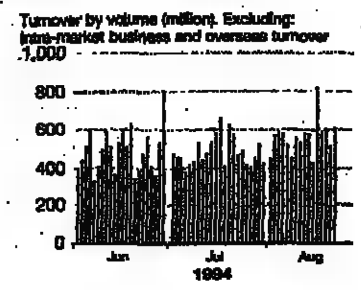
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3175.1	+3.8	FT Ordinary Index	[illegible]	[illegible]
FT-SE Mid 250	3753.4	+3.6	FT-SE-A Non Fins p/e	[illegible]	(19.75)
FT-SE-A 350	[illegible]	+1.8	FT-SE 100 Fut Sep	3191.0	+8.0
FT-SE-A All-Share	[illegible]	+1.74	10 yr Gilt yield	8.[illegible]	[illegible]
FT-SE-A All-Share [illegible]	[illegible]	[illegible]	Long gilt/equity yld ratio:	[illegible]	[illegible]

Best performing sectors

1. Life Assurance ... +1.3
2. Tobacco ... +1.1
3. Extractive Inds ... +0.9
4. Insurance ... +0.6
5. Spirits, Wines & Cider ... +0.5

Worst performing sectors

1. Gas Distribution ... -1.2
2. Leisure & Hotels ... -0.6
3. Chemicals ... -0.5
4. Transport ... -0.5
5. Health Care ... -0.5

Takeover talk peps Wellcome

The market has the scent of a big takeover in the pharmaceuticals sector and refuses to let go. Yesterday there was a whiff of very big game being hunted by Glaxo, the UK leader, with Wellcome pinpointed as prime target.

A story in the US press said Glaxo had secured a $15bn line of credit. This gave rise to suggestions that it might [illegible] looking at either Eli Lilly, the new owner of prized pharmacy benefit manager PCS, Warner Lambert or Wellcome. Although analysts and [illegible] were sceptical they were running through the numbers and [illegible] Lilly would have a take-out price of $70 to [illegible] a [illegible] and Lambert of over $100. Wertheim Schroder had already suggested [illegible] Wellcome might be bought at 900p a share and was stoking interest in the sector yesterday with a piece of research arguing for a strong overweight stance. Analyst Dr Jonathan [illegible] argued that investors should be up to three times overweight but should perhaps switch from SmithKline which was suffering from a "thwarted strategy" and erosion of profits by generic rivals [illegible] Tagamet, its anti-ulcer treatment.

Glaxo shares rose 6 to 645p and Wellcome [illegible] while SmithKline was flat at [illegible].

NFC shock

A profits warning from NFC together with the shock resignation of the company's chief [illegible] in [illegible] freight group tumbling in heavy volume. By the close, the shares were down [illegible] at 185½p, making it the day's biggest retreat among FT-SE 100 constituents while turnover of 15m shares made it the most heavily traded stock of the day.

Analysts downgraded full year forecasts for the group by around £10m to £110m after third quarter profits of £76.6m fell short of expectations of around £80m. NFC also disappointed the market in June with lower than expected interim figures.

The resignation of the chief executive after only 18 months in the job took the market by surprise but market watchers welcomed the decision of Mr Robbie Burn, the head of the group's UK transport and logistics arm, to withdraw his resignation. One analyst said: "This is all a bit of a shock but I believe the management changes at NFC will counter the negative impact of the [illegible]wer than expected figures."

Shares in leisure [illegible] Thorn EMI [illegible] from early lows to [illegible] 9 down at 1054p, on volume of 2.2m, after the company reported an 18 per cent decline in first quarter figures.

Profits fell £7.3m to £40.4m and dealers moved quickly to sell [illegible] sending the shares to a low of 1046p. However, later in the day, the spotlight [illegible] from the headline profit figure and analysts focused on the 25 per cent increase in operating profits, helping the shares claw back some of the earlier [illegible].

Mr Bruce Jones at Smith New Court commented: "The underlying figures and statement are encouraging but the shares have had a good run." An analysts tour of some of the group's operations begins next week.

Tobacco group Rothmans International shed [illegible] to 393p as Smith New [illegible] a bearish note in the light of a price war in Australia. The securities house estimated that the potential lost profits from the Australian situation amounted to five per cent of the group's total.

[illegible] property prices following the Hong Kong government's decision to pull one of its land auctions sent Hong Kong [illegible] stocks lower yesterday. [illegible] fell [illegible] 710p and Cable & Wireless slipped 455p but rallied to close 2 off at 460p.

Barclays was actively traded as Hoare Govett pushed a bullish line on the bank's prospects. The house believes that the bank has some £20bn in low profit [illegible] which it wants to [illegible] out or restructure. The argument is that much of the cash will be liberated in the form of higher dividends and possibly a share buy back. Hoare predicts a 25 per cent rise in the dividend every year [illegible] next few years. The shares rose 2 to 568p with volume heavy at 9.3m.

Composite insurer Commercial Union lifted 7 to 547p as Smith New Court reiterated its long-term buy recommendation [illegible] stock. The house believes that although the purchase of Groupe Victoire will knock CU's asset value down *to 580p a share initially* the NAV will rise 2 per cent a year more than it would have done previously [illegible] acquisition.

A weak oil price was countered by optimism over refining margins and, in the case of Shell Transport, over the dividend. Shell is to announce its first half dividend on September 15. Because of the weakness of sterling [illegible] Dutch guilder it could, according to some analysts, boost its UK payout by 16 per cent. It is unlikely [illegible] high but some houses were apparently mooting the [illegible] rises as high as 12 per cent - the current prejudice remains in fa[illegible] Shell improved 4 to 718p while BP was firm at 408p.

Chemicals group Courtaulds slipped 6 to 527p as institutional investors reacted to a cautious note from BZW. The investment bank argues that the hope value invested in Tencel, the company's new fibre, was already discounted by the shares' 27 per cent premium to the FT-A All Share Index.

A clutch of broker's recommendations powered industrial group Charter, which on Monday declared its bid for welding equipment supplier Esab unconditional. The group is expected to win the 90 per cent acceptances it needs to achieve a complete takeover.

The [illegible] jumped 26 to 796p, with Kleinwort Benson and [illegible] among b[illegible] recommending [illegible].

British Steel put 4¾ to 155p, after *stainless steel* group Avesta Sheffield, its Swedish joint venture, returned to profit in the first half of the year.

Holiday group Airtours had a volatile day. The shares were *down 15 early in the session* on rumours that the group was about to issue a profits warning. Calls to the company from anxious dealers and analysts met with a "no [illegible]" reply which initially increased the market worries.

However, mid-session bargain hunters started a recovery and, together with the dismissal of the early rumours by many analysts, the shares closed 4 ahead at 449p. The early negative sentiment weakened rival Owners Abroad which gave up 1¼ to 104½p.

Printing group Wace jumped 14 to 270p after announcing interim profits up 57 per cent.

MARKET REPORTERS:
[illegible]er John,
Joel [illegible]

■ Other statistics, Page 18.

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (52).
BUILDING & CNSTRN (1) Sheriff, BLDG MATLS & MCHTS (1) Grafton, CHEMICALS (1) Croda Int'l., DISTRIBUTORS (1) Wilshaw, DIVERSIFIED INDLS (1) Charter, ELECTRICITY [illegible] (1) [illegible], VEHICLES (1) [illegible], EXTRACTIVE INDS (10) FOOD MANUF (1) Williamson, INVESTMENT TRUSTS (10) LEISURE & HOTELS (8) Bluebird Toys, Boosey & Hawkes, Bristol Scotts, London Clubs, Tottenham Hotspur, MEDIA (1) Grampian TVA, OIL EXPLORATION & PROD (1) Ramco Energy, OTHER FINANCIAL (1) Camellia, OTHER SERVS & BUSNS (2) PRTNG, PAPER & PACKG (3) Capital Inds., Kymmene FM, Waco, RETAILERS, FOOD (1) Park, RETAILERS, GENERAL (2) French Connection, Vendome Luxury Units., SPIRITS, WINES & CIDERS (1) Macallan-Glenlivet, SUPPORT SERVS (4) Alphameric, Manpower Inc., Page (M), Reed Executive, TEXTILES & APPAREL (2) Dewhirst, Hicking Pentecost, TRANSPORT (1) GRT, AMERICANS (3) SOUTH AFRICANS (1).
NEW LOWS (52).
GILTS (5) BANKS (3) BLDG MATLS & MCHTS (1) Hewitt, DISTRIBUTORS (2) Hamlet, Litho Supplies, ENGINEERING (1) Concentric, ENG. VEHICLES (1) Ingham, EXTRACTIVE INDS (3) Ashanti, Precious Metals Australia, Wethalla, FOOD MANUF (1) Kaye, HEALTH CARE (1) Kynoch, HOUSEHOLD GOODS (2) Cornwell Parker A. Tomkinsons, INSURANCE (2) Lloyd Thompson, Topdanmark, INVESTMENT COMPANIES (1) Indonesia [illegible] Wts., LEISURE & HOTELS (1) MEDIA (1) OIL EXPLORATION & PROD (2) OTHER FINANCIAL (4) OTHER SERVS & BUSNS (2) Brit. Bloodstock, General Motors Units, PHARMACEUTICALS (2) PRTNG, PAPER & PACKG (2) Ferguson Int'l., Somic, PROPERTY (6) Molyneux Ests., Raglan Properties Wts., Shaftesbury, RETAILERS, GENERAL (4) Colorvision, Nottingham, Pentos, Upton & Southern, SUPPORT SERVS (3) CRT, ISS-Int'l. Serv. Sys. B, Johnson Cleaners, AMERICANS (6) CANADIANS (1).

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures rallied after an uncertain start, responding to a sharp upturn in international bonds and a firmer showing by the d[illegible]. [illegible]rs took the view that both areas were oversold, *writes Steve Thompson.*

The September futures contract opened at 3,185 but ran into selling pressure, unsettled by the recent [illegible] the dollar and worries about the big US bond auctions taking place yesterday, retreating to what turned out to be the day's low, 3,171, in mid- morning.

Thereafter, the contract began to rally with support triggered by a gradual improvement in international bond markets and a strong *opening on Wall Street, which* was over 20 points higher when London closed. By the close of trading the futures contract had moved up to 3,191, a premium of around eight points to fair value. Dealers said it was set for another move above 3,200.

It was another disappointing day in traded options where volume came out at 21,800 lots. The FT-SE option was especially disappointing, dealers said, with turnover reaching only 5,000 contracts. HSBC was the [illegible] stock option, attracting turnover of 2,206 contracts, reacting to a sharp decline in the underlying shares which were undermined by news that the Hong Kong authorities had [illegible] its latest land auction.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	[illegible]	[illegible]	+8.0	3197.0	[illegible]	7411	[illegible]
Dec	[illegible]	[illegible]	+8.0	3208.5	3187.5	607	4801
Mar	[illegible]	[illegible]	+8.0	[illegible]	[illegible]	0	[illegible]

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Sep	[illegible]	[illegible]	[illegible]	3750.0	3750.0	1	4432

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Sep	[illegible]	3763.0	[illegible]	[illegible]	[illegible]	[illegible]	836

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3174) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	12,000	64	+1½
Abbey National†	1,000	384	+1½
Albert Fisher	1,600	48½	+1½
Allied-Lyons†	2,300	608	[illegible]
Anglian Water	634	571	[illegible]
Argos	183	359	-1
Argyll Group†	2,400	288	+½
Arjo Wiggins†	679	271	[illegible]

[illegible]

FT - SE Actuaries Share Indices — The UK Series

[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	39	13	18
Other Fixed Interest	1	0	14
Mineral Extraction	47	79	74
General Manufacturers	92	139	414
Consumer Goods	37	[illegible]	[illegible]
Services	70	[illegible]	344
Utilities	[illegible]	[illegible]	[illegible]
Financials	[illegible]	[illegible]	[illegible]
Investment Trusts	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	[illegible]	[illegible]	[illegible]

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FT GOLD MINES INDEX

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£22½	+⅛	£25⅛	£20⅞	6,787	5.0	ɸ
ANZ A$		188	-10	278¾	179¼	2,502	5.0	29.3
Abbey National	†N□	394xd	+1½	523	351	5,169	4.9	13.2
Allied Irish I£	♣†N□	236xd	-2	314	234	1,559	5.3	9.1
Anglo Irish I£	♣N□	68	—	70	50	199.9	7.4	10.6
Asahi Y		764¾	-2½	819¼	628	17,749	0.6	ɸ
Banco Bil Viz Pta		£15⅛	+⅛	£16⅞	£14⅛	3,493	5.5	6.7
Banco Sant Pta		£26¼	—	£30½	£23¾	3,957	5.5	9.2
Bk Ireland I£	♣□	263	—	319	246	1,243	5.0	7.6
Bank Scotland	♣N□	200	+4½	247	172½	2,334	3.2	16.4
9¼pc Pf		113	-½	141½	113	113.0	10.2	–
9¾pc Pf		118½	—	148½	118¼	118.5	10.3	–
Barclays	♣†N□	566xd	+2	640	487	9,241	3.7	17.5
Dai Ichi Kan Y		£11⅛	-⅛	£12⅞	£10⅛	36,920	0.5	–
Deutsche DM		£289⅛	+1⅛	£344¼	£270⅛	13,764	2.4	–
Espirito Sa[illegible]		£10⅛	+⅛	£13⅛	£9⅞	223.7	3.7	5.2
First Nat Fin	N□	69½	—	80	60	117.3	2.7	–
8.3pc Cv Pf		77	—	90	77	3.18	[illegible]	–
7pc Cv Pf		125½	—	171	123	58.6	[illegible]	–
Fuji Bank Y		1490½	-11¼	1548¼	1152½	43,176	[illegible]	ɸ
HSBC HK	†N□	726	-11	1133	680	12,705	4.3	10.4
HSBC (75p Shs)	†N□	710	-8	1113	660	6,036	4.4	10.2
Lloyds	†N□	543xd	—	680	519	7,028	5.3	10.7
Mitsubishi Y		£17⅛	-⅛	£18⅞	£15⅝	48,132	0.3	ɸ
Mitsu Tst & Bk Y		974	-20½	1162¼	887½	11,671	[illegible]	15.0
Mitsui Tst & Bk Y		768¼	-18¾	879	614	9,086	[illegible]	24.8
Nat Aust A$	†	508	-22	690¼	489¾	4,773	[illegible]	10.7
NatWest	†N□	482xd	-2	622	427	8,025	[illegible]	9.0
Ottomane FFr		£21¼	—	£33	£21¼	106.8	[illegible]	ɸ
Ryl Bk Scotland	♣†N□	401	-4	525	377½	3,209	[illegible]	18.1
Sakura Y		£9⅛	—	£9⅞	£8⅛	30,337	0.6	54.9
Sanwa Y		£13⅛	-⅛	£15⅛	£11⅞	39,249	0.4	–
Standard Chartd	†N□	245xd	-4	359¼	223	2,354	3.3	8.4
7 3/8pc Prf		84½xd	-½	108½	84¼	84.8	10.9	–
Sumitomo Y		£12⅞	-⅛	£16⅛	£11⅛	40,445	0.4	28.6
Sumitomo Tst Y		815¼	-20	1148½	635	11,383	0.6	ɸ

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

مكتبة ابن الاصيل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

PROPERTY

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TRANSPORT - Cont.

WATER

AMERICANS

LIFE ASSURANCE

MEDIA

OTHER SERVICES & BUSINESSES

CANADIANS

TELECOMMUNICATIONS

SOUTH AFRICANS

OTHER INVESTMENT TRUSTS

TEXTILES & APPAREL

RETAILERS, FOOD

INVESTMENT COMPANIES

PHARMACEUTICALS

MERCHANT BANKS

RETAILERS, GENERAL

OIL EXPLORATION & PRODUCTION

PRINTING, PAPER & PACKAGING

TOBACCO

TRANSPORT

LEISURE & HOTELS

GUIDE TO LONDON SHARE SERVICE

b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings

F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for

'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

This service is available to [illegible] whose shares are regularly traded in the United Kingdom for a fee of £1295 a year for each security shown, subject to the Editor's discretion

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FT Cityline

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An international service is available for callers outside the UK, annual subscription £250 [illegible]

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Pointon York UT Mngrs (0800)F
The Crescent, King St, Leicester LE1 6RX 0533 540540

Portfolio Fund Management Ltd (0900)F
1 White Hart Yard, London SE1 1NX 071-407 5966

Effective Initial Charge reduces for investments over £5,000

Premium Life Unit Tst Mngrs Ltd (1400)F
37 Perrymount Rd, Haywards Heath 0444 458721

Monthly Income	6	57.42	59.66	63.26	+0.17	2.25
Growth Accum	6	82.70	84.78	88.88	-0.13	1.79
Growth Income	6	82.08	84.16	88.00	-0.12	1.79

Principal Unit Trust Mngmt Ltd (1600)F
16 South Park, Sevenoaks, TN13 1AN 0732 740700

Principal Tst	5½	130.11	131.73	140.12	+0.17	1.73

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, [illegible] Point, [illegible] New Oxford Street, London WC1A 1QH [illegible]1-379-0444.

INSURANCES

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Waverley Unit Tst Mngmt Ltd (1000)F

Whittingdale Unit Tst Mngmt Ltd (0830)F

2 Honey Lane, London EC2V 8BT

Woolwich Unit Trust Managers Ltd (1700)H

2 White Oak Square, Swanley BR8 7AG

Stockmarket Fd ... 5 | 78.00 | 79.13 | 84.17 | +0.05 | 1.83

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Int'l Expt Aug 17 ... | 780.1 | 817.8 | — | 0.93

Baring Investment Mngmt Ltd

Charitable Funds

CAF – Charity Money Management

CBM Unit Trust Managers Ltd

Edinburgh Fund Managers PLC

Fidelity Investment Services

Foreign & Colonial Unit Management Ltd

Henderson Touche Remnant UTM

INVESCO Asset Management Ltd

Jupiter Merlin Unit Trust Managers Ltd

Lazard Investors Ltd

M & G Securities Ltd

Morgan Grenfell Investment Funds Ltd

Morgan Stanley International

Murray Johnstone UT Mngmt

PDFM Unit Managers Ltd

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Templeton Unit Trust Managers Ltd

Thornton Unit Managers Ltd

INSURANCES

AIG Life

AXA Equity & Law Life Assce

Abbey Life Assurance Co Ltd

Abbey National Life Plc

Aetna Life Assurance Ltd

AEGON Life Assurance Co (UK) Ltd

Allied Dunbar Assurance Plc

Barclays Life Assur. Co Ltd

Britannia Life Ltd

Canada Life Group

Canterbury Life Plc

City of Westminster Assurance (z)

Clerical Medical/Fidelity Investments

Clerical Medical Investment Group

Commercial Union Group

Crown Financial Management Ltd

Eagle Star Life Assurance Co Ltd

Equitable Life Assurance Society

Family Assurance Friendly Society Ltd

Friends Provident

Friends Provident - Contd.

GT Unit Managers Ltd

General Accident

General Portfolio Life Insurance Plc

Assicurazioni GENERALI SpA

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Lancashire & Yorkshire Assce Society

Lancastrian Life plc

Legal & General

Liberty Life Assurance Co Ltd

Lincoln National

Lloyds Life

London & Manchester

M & G Life and M & G Pensions

MGM Assurance (z)

Manulife Group

Merchant Investors Assurance Co Ltd

NM Life Assurance Ltd

N & P Life Assurance Ltd

Norwich Union Life Insurance Soc.

Norwich Union Life Insurance Soc. - Contd.

Norwich Union Pensions Management Ltd

Pearl Assurance (Unit Funds) Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd (z)

Prosperity Life Assurance Co Ltd

Providence Capital Life Assurance

Provident Life Assce Ltd

Provident Mutual Life Assce. Assn.

Prudential Assurance Co

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal London

Scottish Amicable

Scottish Equitable plc

Scottish Life

Scottish Mutual Assurance plc

Scottish Widows

FT MANAGED FUNDS SERVICE

■ FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Mutual Assurance plc - Contd.

[illegible]

Scottish Provident Group

6 St Andrew Sq, Edinburgh 031-556 2552

Scottish Provident Institution Funds

[illegible]

Sun Life Unit Assurance Ltd

St James Barton, Bristol BS99 7SL 0272 426911

[illegible]

Sun Life Pensions Management Ltd

[illegible]

Swiss Life (UK) PLC

101 London Rd, Sevenoaks 0732 450161

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
World Bond Fund—SICAV (z)				
World Bond Fund	$30.00	31.59	+0.01	0.00
World Trust Fund				
	$15.46			
Jupiter Tyndall (Bermuda) Ltd				
Mortgage (z)	C$20.36	21.39	+0.02	8.34
The Vietnam Frontier Fund				
Frontier Fund Management Co				
NAV (Partly Paid) Jul 31	$5.60			
The Vietnam Fund Limited				
NAV Fully Paid Jul 31	$10.02			
WW Capital Growth Fund				
NAV Jul 31	$982.33			
Wellington Fd Mngrs (Bermuda) Ltd				
Intl Growth Fd	$16.70	17.58	+0.27	
Wells Fargo U.S. IT Fund				
Worldwide Limited				
NAV Jul 29	$94.09			
Xiphias International Investment Fd Ltd				
Yamaichi Capital Management (Guernsey) Ltd				
Thai Inv Fund	$22.12			

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. Distribution free of UK taxes. Periodic premium insurance plan. Single premium insurance. Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities). Offered price includes all expenses except agent's commission. Previous day's price. Guernsey gross. Suspended. Yield before Jersey tax. Ex-subdivision. Only available to charitable bodies. Yield column shows annualised rates of NAV increase. Ex dividend.
(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Financial Services Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES AND MONEY

MARKETS REPORT

Soros helps the dollar

Mr George Soros, the influential [illegible] investor, yesterday helped the dollar and sterling [illegible] some [illegible] their [illegible] losses, [illegible] *Philip Gawith.*

Comments from Mr Soros in a TV programme, warning about the dangers of a weak dollar, helped boost the US currency, and sterling followed in its wake.

The dollar closed in London at DM1.5377, up from DM1.5309. Against the yen it was also firmer, finishing at Y98.45 from Y97.96.

The pound rose by over 1½ pfennigs to close at DM2.3893 from DM2.3729. The sterling index finished at 78.6 from 78.2.

Little significance was attached to the moves which [illegible] place against the background of no fresh data or policy developments.

With the dollar firmer, the D-Mark also [illegible] ground in Europe. The most significant gain came from the Spanish [illegible] which finished [illegible] Pta 83.34 from Pta [illegible] Analysts said it was the beneficiary of better economic data and predictions of good figures in August.

■ Mr Soros's comments, which were re-run from an earlier TV showing, [illegible] against dollar depreciation. "If you allow the currency to depreciate too much, that...can be very destabilising because of its inflationary implications [illegible] implications for the bond market," he said.

Mr [illegible] Barrow, international economist [illegible] Chemical [illegible], commented: "The market seems to be so devoid of any ideas at the moment that it [illegible] onto Soros." [illegible] was little follow-through buying, however, and the dollar was trading weaker in the New York afternoon.

The only fundamental development [illegible] was the recommencement, in Seattle, of US-Japan framework talks on access [illegible] other's insurance markets. Mr Masayoshi Takemura, the Japanese finance minister, said in Tokyo [illegible] the [illegible] had made [illegible] in the insurance sector than in the other priority areas of government procurement and car and vehicle parts.

Mr Takemura [illegible] said he regretted the recent rise of the yen. He [illegible] "timely [illegible]d appropriate" measures were necessary in [illegible] currency stability.

Although progress in the trade talks would help the dollar, numerous obstacles appear to stand in the way of dollar recovery. Mr Mark Austin, treasury strategist at Midland Global Markets, offered [illegible] neat summary: "The fundamental problem for the dollar [illegible] unchanged. Relatively robust economic growth means that trade and current account deficits are continuing to widen."

"At the same time, investor appetite [illegible] Dollar [illegible] is limited by the perception that the direction for short term rates is firmly upward and that this still poses risks for the bond and equity markets."

"International [illegible] by US investors also appears to be continuing, and the net effect is to put downward pressure on the dollar, which is only periodically relieved by speculative buying."

■ An [illegible] into how investors have shifted positions on the dollar comes from Merrill Lynch's August 1994 quarterly global investor survey results. [illegible] show how investors [illegible] to trim their dollar exposures in favour of the D-Mark.

Historically there has been a [illegible] positive correlation [illegible] shifts in [illegible] holdings, [illegible] the [illegible] trade-weighted value.

On a scale where 50 constitutes a neutral position, the net weighted average exposure to dollars fell from 53.25 on May 26, and 60.5 on March 3, to 51.25. The net weighted average exposure to the D-Mark rose from 54.25 in May and 42.25 in March, to 57.25. These figures represent the highest reading for D-Mark exposure since October 1990, and the lowest US dollar reading since November 1991.

Investors remain significantly underweight in [illegible], where exposure fell from 38.5 to a low of 33.25.

■ The outlook for [illegible] interest rates remains unclear following [illegible] Bundesbank officials. One unnamed official told the newspaper Handelsblatt [illegible] the central bank's decision last week, [illegible] all [illegible] of its [illegible] unchanged, [illegible] "a conscious policy of the steady hand at a time of persistent interest rate uncertainty."

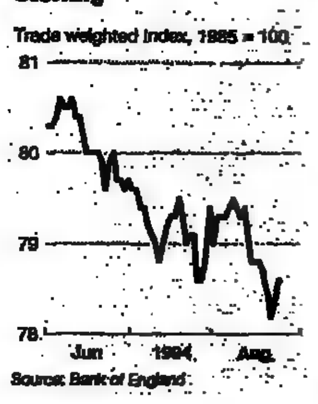
He said an official rate cut or a return to [illegible] variable-rate repo "[illegible]uld [illegible] [illegible]ked ending hopes of [illegible] cut prematurely." Mr [illegible] Issing, [illegible] Bundesbank council member, was quoted in the Italian press saying that German inflation would continue to fall.

These comments were insufficient to give the futures mar[illegible] much direction, [illegible] December Euromark contract finishing [illegible] 94.85 from 94.84. German call [illegible] was unchanged at 4.85/4.95 per cent ahead of today's repo allocation. The repo rate is currently fixed at 4.85 per cent.

The Bank of England provided UK money markets with £370m late assistance. Earlier it had provided £28m in the afternoon round after forecasting [illegible] shortage. Overnight money traded between 4½ and 6½ per cent.

Sterling

Trade weighted index, 1985 = 100



Source: Bank of England

■ Pound in New York

Aug 23	Latest	Prev. close
£ spot	1.55[illegible]	[illegible]
1 mth	1.55[illegible]	[illegible]
3 mth	1.5528	1.5549
1 yr	1.5408	1.5440

■ OTHER CURRENCIES

Aug 23	£	$
Hungary	[illegible] - 165.543	[illegible] - 106.520
[illegible]	2704.90 - 2707.00	1749.00 - 1750.00
Kuwait	[illegible] - [illegible]	[illegible] - [illegible]
Poland	35142.4 - 35200.4	22620.0 - 22650.0
[illegible]	[illegible] - [illegible]	[illegible] - [illegible]
[illegible]	[illegible] - [illegible]	[illegible] - [illegible]

POUND SPOT FORWARD AGAINST THE POUND

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 23		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	[illegible]	100	19.20	[illegible]	[illegible]	2.057	[illegible]	5.446	21.32	[illegible]	[illegible]	[illegible]	4.090	2.031	[illegible]	[illegible]	[illegible]	2.561
Denmark	(DKr)	52.09	10	[illegible]	[illegible]	1.072	[illegible]	[illegible]	11.11	259.3	210.6	[illegible]	2.131	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	(FFr)	60.14	11.54	10	2.918	1.237	2986	[illegible]	[illegible]	[illegible]	243.2	14.41	[illegible]	1.221	2.614	[illegible]	[illegible]	1.534
Germany	(DM)	20.61	3.956	3.427	1	0.424	[illegible]	1.122	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.419	0.896	0.650	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	2.358	1	2400	[illegible]	10.37	242.0	[illegible]	11.65	[illegible]	0.987	2.113	[illegible]	[illegible]	[illegible]
Italy	(L)	2.026	0.389	0.337	0.098	0.042	100.	0.110	0.432	10.06	8.190	0.485	0.083	0.041	0.088	0.064	6.290	0.052
Netherlands	[illegible]	18.37	[illegible]	3.054	[illegible]	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]	[illegible]	0.751	0.373	[illegible]	0.580	[illegible]	[illegible]
Norway	[illegible]	[illegible]	9.002	[illegible]	2.275	[illegible]	2315	2.558	10	[illegible]	[illegible]	11.24	[illegible]	0.952	2.036	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	20.09	3.856	[illegible]	[illegible]	0.413	[illegible]	1.094	[illegible]	100.	[illegible]	4.814	[illegible]	0.408	0.873	[illegible]	[illegible]	0.512
Spain	[illegible]	24.73	4.747	4.113	1.200	0.509	1221	[illegible]	5.274	123.1	100.	[illegible]	1.012	0.502	1.075	[illegible]	[illegible]	0.631
Sweden	[illegible]	41.73	[illegible]	6.939	2.025	[illegible]	2060	2.272	[illegible]	[illegible]	[illegible]	10	1.707	0.847	1.814	1.317	129.6	1.064
Switzerland	(SFr)	24.45	[illegible]	[illegible]	1.186	0.503	[illegible]	1.331	5.214	121.7	[illegible]	[illegible]	1	0.497	[illegible]	0.772	75.92	0.624
UK	[illegible]	49.24	9.452	[illegible]	2.389	1.013	[illegible]	2.681	10.50	245.1	199.1	11.80	2.014	1	[illegible]	1.554	152.9	1.256
Canada	[illegible]	23.01	4.417	3.826	1.116	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.514	[illegible]	0.467	1	0.726	[illegible]	0.587
US	($)	31.69	6.082	[illegible]	1.537	[illegible]	[illegible]	1.725	6.757	157.7	[illegible]	[illegible]	[illegible]	[illegible]	1.377	1	[illegible]	0.808
Japan	(Y)	322.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	17.53	[illegible]	[illegible]	1302	77.17	13.17	6.540	14.00	10.16	1000.	[illegible]
Ecu		[illegible]	7.625	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	195.1	[illegible]	[illegible]	[illegible]	[illegible]	1.704	1.237	121.7	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6548	[illegible]	[illegible]	0.6549	0.6507	[illegible]	[illegible]
Dec	[illegible]	0.6517	[illegible]	[illegible]	[illegible]	[illegible]	7,167
Mar	-	0.6527	-	-	[illegible]	[illegible]	1,575

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	[illegible]	[illegible]	-0.0052	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	-0.0050	1.0310	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	1.0340	[illegible]	[illegible]	[illegible]

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

■ STERLING FUTURES (IMM) £62,500 per £

EMS EUROPEAN CURRENCY UNIT RATES

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

UK INTEREST RATES

LONDON MONEY RATES

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of London Investment Banking Association

* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 23 / Sch)

BELGIUM/LUXEMBOURG (Aug 23 / Frs.)

DENMARK (Aug 23 / Kr)

FINLAND (Aug 23 / Mks)

FRANCE (Aug 23 / Frs.)

GERMANY (Aug 23 / Dm.)

ITALY (Aug 23 / Lire)

NETHERLANDS (Aug 23 / Fls.)

NORWAY (Aug 23 / Kroner)

SPAIN (Aug 23 / Pts.)

SWEDEN (Aug 23 / Kronor)

SWITZERLAND (Aug 23 / Frs.)

PACIFIC

JAPAN (Aug 23 / Yen)

AUSTRALIA (Aug 23 / Aus$)

HONG KONG (Aug 23 / H.K.$)

MALAYSIA (Aug 23 / MYR)

SINGAPORE (Aug 23 / S$)

NORTH AMERICA

CANADA

TORONTO (Aug 23 / Can $)

4 pm close

MONTREAL (Aug 23 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Aug 23 / Rand)

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, (except Toronto & Montreal (daily)). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. (H) Due to technical problems prices for Hong Kong on 22/8 were incorrect. Changes shown today are based on corrected prices.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, August 23, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	3.7m	362		Toshiba	2.1m	740	–3
Sumitomo Mtl	3.6m	333	–3	Kawasaki Steel	1.9m	418	+7
Mitsubishi Hvy	3.0m	786	+2	Harima	1.7m	487	–28
Kobe Steel	2.3m	313	–2	Canon Inc	1.7m	1700	–30
NEC	2.1m	1160		Sharp	1.7m	1770	–10

INDICES

US INDICES

	Aug 19	Aug 12	Aug 5	Year ago
Dow Jones Ind. Div. Yield	2.73	2.70	2.72	2.82
	Aug 10	Aug 3	Jul 27	Year ago
S & P Ind. Div. yield	2.43	2.42	2.45	2.52
S & P Ind. P/E ratio	23.51	23.55	23.13	25.14

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	462.60	463.65	+0.85	463.70	462.60	51,432	198,796
Dec	-	465.35	-	-	-	1,506	26,137
Mar	-	468.75	-	-	-	143	4,272

Open interest figures are for previous day.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Aug	1979.0	2015.0	+37.0	2016.0	1972.0	27,888	24,041
Sep	1984.0	2022.5	+36.5	2024.0	1980.5	6,183	26,899
Oct	1993.0	2032.0	+37.0	1993.0	1993.0	-	1,625

Open interest figures for previous day.

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Telefonos	6,394,600	66½	+1
IBM	2,966,800	67¾	–¼
Global Marine	2,958,200	3¾	–⅛
RJR Nabisco	2,777,800	6⅜	----
Citicorp	2,427,900	44⅛	+1⅞
Syntex	2,302,800	23⅝	+⅛
Gen Motors	2,112,000	49⅝	–¾
Compaq	1,789,800	37⅞	+1
Williams	1,783,600	31¼	----
Digital Equip	1,774,000	23⅝	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Aug 22	Aug 19	Aug 18
New York SE	237.183	278.532	284.867
Amex	14.000	13.965	15.015
NASDAQ	239.890	255.414	311.115
NYSE			
Issues Traded	2,862	2,844	2,851
Rises	925	1,141	847
Falls	1,226	920	1,291
Unchanged	711	783	713
New Highs	46	37	44
New Lows	46	31	38

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. (c) Closed. (u) Unavailable. § IBIS/DAX after-hours Index: Aug 23 - 2121.29 +7.88

4 pm close August 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅞	13⅞	AAR	0.48	3.5	462	131	14	13¾	13⅞	-⅛
16⅞	12⅝	A L Labs A	0.18	1.1	36	1756	16	14¾	15¾	+¾
75¼	57⅝	AMP	1.68	2.3	25	2342	73⅞	73⅛	73½	+⅜
72¾	52⅛	AMR			99	5097	56⅞	55¾	56⅞	+1⅛
5	3⅛	ARX			13	158	4	3⅞	4	
56⅛	38⅝	ASA x	2.00	4.3	30	700	46¾	46	46½	+⅜
31⅝	25⅜	AbbotL	0.76	2.5	17	4086	30⅝	30	30	-½
13¾	11⅞	AbitibiPr	0.50	3.7	9	285	13⅝	13¼	13½	+⅛
23⅝	17¾	ABM Ind	0.52	2.4		18	21⅞	21⅝	21⅞	
14⅞	11⅛	Acptncain			25	40	14⅛	13¾	14	
31	22¾	ACE Ltd	0.44	1.9	3	274	23¼	d22¾	22⅞	-¼
12½	9¾	ACM Gvt In	1.09	11.2		1193	9⅞	d9⅝	9¾	
10⅛	7⅞	ACM GvOpp	0.80	10.6		228	7⅞	d7⅞	7½	+⅛
10⅝	7½	ACM Gvt Sp	0.96	12.4		178	7¾	7⅝	7¾	+⅛
12	8¾	ACM Gvt Se	1.09	12.3		1471	8⅞	d8¾	8⅞	
11¾	8⅛	ACM Man	1.08	12.7		206	8⅝	8½	8½	
9¼	8	ACM Managd	0.72	9.0		29	8⅛	d8	8	
15½	8¾	AcmeCv	0.44	3.6	15	176	12⅜	12⅛	12⅜	+⅜
9⅞	6½	Acme Elect			7	21	9⅛	9	9	-⅛
28¾	23	Acordia	0.80	3.3	13	7	26¼	26⅛	26⅛	+¼
11¾	5¾	Actava	0.36	3.0	3	2094	u12	11¼	11⅞	+⅝
15⅝	11¼	Acuson			100	659	13⅛	13⅛	13⅛	
18⅜	16½	Adams Exp x	0.48	2.8	0	86	17¼	17⅛	17¼	
64	46½	Ad Micro	3.00	5.0		1000	60⅛	59⅝	59¾	+½
31¾	16¾	AdvMic	3.00	10.3	12	6392	29⅜	28¾	29⅛	+⅜
6⅞	5	Advest Grp	0.15	3.0	8	76	5⅜	5¼	5⅜	
20	15	Advo Inc	0.10	0.8	119	138	17⅞	17⅛	17⅞	+⅝
57½	49⅜	Aegon ADR	2.85	5.1	12	5	u57¾	57¾	57¾	+¼
65¼	49	AetnaL	2.76	5.5	7	1187	50⅜	49¾	50⅛	+⅜
35¾	25¼	Aflac x	0.46	1.3	15	538	u35¾	35⅜	35½	-¼
22¾	18⅜	Ahmson	0.88	4.0	16	2110	22¼	22	22⅛	+⅛
4	1⅞	Aileen Inc			1	44	1¾	1⅝	1¾	+⅛
50⅛	38⅞	AirPrC	0.98	2.0	26	624	48⅜	47⅞	47⅞	+¼
39⅞	28¾	Airbrne Frt x	0.30	1.1	18	2150	27¾	27¼	27⅜	+⅛
28½	19¾	Airgas Inc			42	816	25	24½	24½	-⅜
16⅞	14¾	Airlease	1.84	11.2	12	62	16⅝	16½	16½	-¼
27¾	21⅞	AirTch				6795	26¼	26⅛	26½	+½
18⅞	13⅝	Alaska Air	0.20	1.2	25	522	17⅛	16⅞	17	
21¼	16⅛	Albany Int	0.35	2.0	30	459	17⅞	17⅝	17⅝	-¼
17⅝	13¾	Alberti	0.20	1.2		852	16⅜	16¼	16¼	
25⅛	19⅜	AlbCuB	0.28	1.2	15	275	23	22	22¾	+⅝
21⅞	17¾	AlCulvr A	0.28	1.3	16	324	21⅜	21	21⅛	+¼
30⅞	25⅛	Albtsn	0.44	1.6	22	3753	28⅛	27¾	27¾	
25½	19¾	AlcnAl x	0.30	1.3	64	5248	24¼	23⅞	23⅞	-⅛
63⅜	49½	AlcoSt x	1.00	1.6	44	937	u63⅞	63⅛	63⅛	+⅛
30⅛	23¼	AlexBrownd	0.70	2.4	5	251	29	28⅝	28¾	-⅛
22¾	14	AlexAl	0.10	0.5	118	258	20⅛	20	20⅛	+⅛
34⅞	17	Allegh Lud	0.48	2.4	18	1133	20	19⅞	20	+¼
28½	20⅛	AllegP	1.64	7.5	11	706	22⅛	21⅞	22	+⅛
18¾	13½	Allen Gro	0.16	0.9	15	289	18⅝	17¾	18⅜	+⅜
25¾	20	Allergan x	0.44	1.7	16	1073	u25⅞	25½	25⅝	+⅛
4⅛	1	Allon			1	63	1⅜	1¼	1¼	
27⅛	17¼	Allnce Cap	1.64	7.8	21	358	21⅜	20⅞	20⅞	-¼
10½	9	Allnce Gl	0.18	1.8		221	10⅛	9⅞	10	+⅛
27⅞	21½	Alld Insh	1.24	5.4	14	252	23⅛	23⅛	23⅛	-¼
40¾	33⅛	AlldSig x	0.67	1.9	7	4271	36	34¾	35¾	+1⅛
29½	24	Allied Crp	0.86	3.2	19	661	27¼	27⅜	27¼	+½
7	4⅜	Allwaste			25	1100	6⅞	6¾	6¾	
30⅞	27¼	Alumax			11	679	30⅛	29⅞	29⅞	-⅛
82⅝	64¼	Alcoa	1.60	2.1	120	2972	78⅛	77⅞	77⅞	+⅛
30¾	20¼	Alza Cp A			42	8429	23⅛	22⅞	23⅛	+⅛
11⅛	7⅞	AmGovInc	0.98	11.6		252	8½	8⅜	8⅜	-⅛
8¼	6¼	Am Precis	0.25	3.5	24	20	7¼	7⅛	7⅛	

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ممكنة الاصل

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NYSE COMPOSITE PRICES

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NASDAQ NATIONAL MARKET

4 pm close August 23

AMEX COMPOSITE PRICES

4 pm close August 23

AMERICA

Dow climbs on bonds and progress at Deere

Wall Street

US stocks rallied yesterday morning on news of a strong quarterly performance by Deere, the farm equipment manufacturer, and a more stable bond market, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 29.14 higher at 3,780.36, while the more broadly based Standard & Poor's 500 was 2.98 ahead at 465.29.

Volume on the Big Board was moderate, with 180m shares traded by early afternoon. Advancing issues led declines by a two to one margin.

In the secondary markets, the American SE composite was up 0.44 at 456.21, and the Nasdaq composite had risen 5.69 to 748.03.

After several weak sessions, stocks opened higher and advanced steadily through the morning. The improvement came as investors appeared to suspend nagging concerns over the impact of higher interest rates on corporate profitability.

The morning's most influential development was the release of a surprisingly robust earnings report by Deere.

In addition to revealing impressive gains in third-quarter revenue and net income, the company said that it was boosting its North American production schedule in view of an expanding economy and the improved outlook for US farm incomes.

The announcement triggered fresh enthusiasm for many stocks whose performances are closely linked to broad economic trends. The rebound suggested that investors were uncertain about the direction of the economy in the coming months. At the very least, the company's results encouraged some bargain-hunting.

Deere was the greatest beneficiary of the mood swing, its share price jumping $4 to $70¼ in heavy volume of 1.3m shares.

Among the Dow industrials, Caterpillar set the pace with a gain of $2⅞ to $109⅝, while Allied Signal climbed $1 to $35⅝. Elsewhere, Cummins Engine improved $1¼ to $40¼ and Clark Equipment was up $1⅞ at $68⅛.

In the consumer non-durable sector, Philip Morris was $1⅛ better at $56⅝, though there was no obvious development pushing the share price forward.

Warner Lambert, viewed as the next likely takeover target in the pharmaceuticals sector, gained $1⅞ to $80⅛.

CBS added $3 to $315 a day after the expiration of the media group's offer to buy back up to 3.5m shares at $325 each.

On the Nasdaq, takeover speculation brought solid gains to biotechnology stocks. Chiron jumped $3⅞ to $65¼, Biogen was up $1⅜ at $49⅞ and Amgen added $1⅛ to $56⅞.

Lotus Development, $1⅞ to $43⅞ ahead, led the computer group.

Canada

Toronto stocks were mixed at midday as the equity market continued to receive a boost from domestic bonds.

Gains in banking, pipeline and transportation stocks were offset by losses in gold and precious metals.

The TSE-300 composite index was up 18.92 at 4,205.34 in volume of 33.4m shares valued at C$405m.

Declining issues outpaced advances by 284 to 229, with 296 unchanged.

The most active gold stock was TVX Gold, up C$¼ at C$7½ in 1.25m shares. Lac Minerals fell C$⅛ to C$13⅛ in volume of 736,000 shares; a takeover offer by Royal Oak Mines was set to expire yesterday.

Mexico

The equity market remained in positive form with confirmation of victory in the weekend's general election by the ruling Institutional Revolutionary Party.

The IPC index of 37 leading shares had gained 34.21 or 1.2 per cent to 2,793.18 by midmorning in high volume of 32.8m shares.

Brazil

Shares in São Paulo were down 1.8 per cent at midday as investors took profits after a rise in the market of nearly 30 per cent in local currency terms since the start of the month.

The Bovespa index was off 983 at 52,875 by 1 pm in turnover of R$281.5m ($316.6m).

Telebras preferred shares were down 1.5 per cent at R$51.60.

ASIA PACIFIC

Nikkei down again amid uncertainties and gloom

Tokyo

Share prices fluctuated on index-linked activity, and the Nikkei index closed lower for the third consecutive day in thin trading, *writes Emiko Terazono in Tokyo.*

The Nikkei index lost 13.80 to 20,380.78 after fluctuating on selling by arbitrageurs and buying by public funds. The index fell to a low of 20,316.56 in the first few minutes of trading, and hit a high of 20,503.10 in the afternoon.

Technical trading dominated activity as most domestic investors remained on the sidelines due to increasing uncertainty over the movement in the yen against the dollar. The dollar fell to a one-month low below the Y97 level, but later recovered to the Y98 line due to buying by the Bank of Japan.

Volume totalled 192m shares against 181m. Foreign investors took profits, their holdings having appreciated thanks to the rise in the yen.

The Topix index of all first section stocks fell 5.66 to 1,631.79 and the Nikkei 300 lost 0.78 to 297.00. Declines led advances by 664 to 290 with 217 unchanged and, in London, the ISE/Nikkei 50 index fell 2.56 to 1,325.50.

Large capital steels and shipbuilders were actively traded. Nippon Steel, the most active issue of the day, remained unchanged at Y362, while Sumitomo Metal Industries lost Y3 to Y333.

High-technology stocks were mostly lower. Toshiba fell Y3 to Y740 and Sharp declined Y10 to Y1,770. Sony, however, gained Y20 to Y5,890 on reports that it is shifting new investments of its audio visual division overseas.

Some drug makers, theoretically unaffected by the yen's fluctuation, advanced. Sankyo rose Y20 to Y2,350 and Dainippon Pharmaceutical added Y10 to Y1,130. However, Takeda Chemical Industries fell Y10 to Y1,250 on profit taking.

DDI, the telecommunications operator listed on the second section, rose Y6,000 to Y934,000 on bargain hunting. Some traders said the issue, which fell from over Y1m last week, had been previously sold by investors raising money for Thursday's auction of Japan Telecom, another long distance operator.

In Osaka, the OSE average fell 69.17 to 22,779.68 in volume of 74.6m shares. The OSE index fell for the fourth straight trading day.

Roundup

Sentiment was gloomy in most of the region. Bombay remained closed for a holiday.

HONG KONG dropped sharply as disappointment over the government land auction results brought late selling. Bearish sentiment towards the dollar also took its toll of the market.

The Hang Seng index lost 223.27, or 2.4 per cent to 9,234.06. Turnover was HK$3bn. Mainland Chinese stocks also came under pressure, with the H-share index falling 42.01 to 1,193.10.

Properties suffered the most, after the government withdrew a third site scheduled for auction and the first two were sold at the opening bid for prices well below expectations.

Sun Hung Kai fell HK$2.25, or 4.3 per cent, to HK$50.50, Henderson Land slid HK$1.50 to HK$39.70 and Cheung Kong weakened HK$1.10 to HK$35.30.

SINGAPORE was characterised by a lack of buying interest on all fronts. The Straits Times Industrial index finished 18.06 lower at 2,302.88, weighed down by a 40 cent fall in both Cycle & Carriage and Fraser & Neave.

Investors preferred to focus on Malaysian shares traded over the counter.

SEOUL fell victim to aggressive profit-taking as investors took the view that the market's recent rise had been exaggerated. The composite index retreated 11.45 to 951.51, well off its intraday high of 971.12.

Samsung Electronics and Kepco, which led the recent rally, fell 1,000 won and 600 won to 112,400 won and 29,800 won respectively.

TAIPEI weakened, although late bargain-hunting in electronics issues helped lift prices off session lows. The weighted index lost 40.41 to 6,798.19 but had recovered from a low of 6,740.14.

SYDNEY ended lower amid investor concerns about US inflationary pressures. The All Ordinaries index fell 12 to 2,051.6.

BHP ended lower in line with the market but News Corp posted a modest rally. News shares remained well bid after its decision to raise the price of its U.K. "Sun" newspaper by 10 per cent.

EUROPE

VW punished for second-half forecast

Recovery in New York offered late-closing bourses a more comfortable afternoon, *writes Our Markets Staff.*

FRANKFURT found reasons to move and had a busier, volatile day. The Dax index was nearly 2 per cent lower at one point before it recovered to close 15.92 lower at 2,107.87, and before a post-bourse recovery to an Ibis-indicated 2,121.25, up 7.88 in 24 hours.

On Monday, the Dax had breached its 200 day moving average, said Ms Barbara Altmann at B Metzler in Frankfurt, and a fall to around 2,080 was indicated. However, after the key index hit its intraday low of 2,086.93, there was short covering in both equities and in bund futures; especially evident in the afternoon, this produced the later recovery.

Turnover rose from DM4.7bn to DM7bn. Disappointment hit Volkswagen after its chairman, Mr Ferdinand Piech, forecast lower German car orders in the second half of 1994. The shares dropped DM21.50 on the session to DM483, and recovered only DM2 after hours.

Profit taking left Mannesmann DM13 lower at DM438.50 but stocks which had been punished recently, like Deutsche Bank and Schering, made the most of the short-covering process, the bank ending the post-bourse up DM16.50 at DM697.50 and the pharmaceuticals group up DM18.10 at DM890.10 after a drop of DM85.50 in the previous week.

AMSTERDAM staged a partial recovery, although sentiment remained weak. The AEX index added 1.50 to 410.83.

Philips was among the gainers, adding 30 cents to Fl 57.10 following news that Standard & Poor's, the ratings agency, had lifted its recommendation on the electronics group from stable to positive.

Gist-Brocades went against the trend, shedding 50 cents to Fl 46.80, as investors continued to react to Monday's disappointing half year results.

PARIS recovered all of Monday's losses on a technical bounce which came towards the end of the session following the opening of trading on Wall Street. The CAC-40 index added 28.00 or 1.4 per cent to 2,000.63.

Turnover was FFr3bn.

Euro Disney and Eurotunnel continued to dominate activity, with the former adding 25 centimes at FFr10.55 in volume of almost 2m shares and the latter unchanged at FFr24.15 with 1.3m shares changing hands.

MILAN ended an uninspired session very slightly lower as trading volume eased from already depressed levels. The Comit index slipped 0.59 to 675.55.

One sector to show strength was insurance, with gains here coming towards the end of the day's trading on unconfirmed reports that the government might highlight the industry in the budget package. Generali rose L900 to L41,500 while RAS put on L1,000 to L25,800.

Olivetti was active for the second day, the shares rising L30 to L2,360 with a large block of shares crossing the market.

Elsewhere Telecom Italia, advanced L150 to L4,590 while Stet fell L10 to L5,240.

MADRID broke a seven-day downtrend, although the general index only recovered 1.03 to 304.24 in a timid acknowledgement of the uptrend on Wall Street. Turnover was low at Pta20.6bn.

ZURICH ended little changed, the SMI index easing 1.5 to 2,530.9 with Brown Boveri and Roche recovering SFr9 to SFr1,185, and SFr55 to SFr5,680 respectively.

STOCKHOLM retreated as a rise in domestic bond yields weighed on the equity market. The Affärsvärlden general index lost 10.00 to 1,411.30.

Turnover was a light SKr1.9bn, down from Monday's SKr3.1bn.

The forest sector was a significant underperformer following worse than expected first half results from Stora, off SKr9 at SKr445. MoDo lost SKr8 to SKr354.

Banking stocks were also depressed as profits were taken on strong results: Handelsbanken A lost SKr3 to SKr98.

COPENHAGEN, closing early in the day, fell 1.4 per cent, the KFX index ending 1.39 lower at a year's low of 97.53. However, the banking group, Unidanmark, climbed DKr11 to DKr231 on Tuesday's smaller than expected drop in pre tax profits.

TEL AVIV rose for a second session following a sharp correction on Sunday which reflected the introduction of a capital gains tax. The Mishtanim index gained 168.90 or 2.7 per cent to 173.53.

ISTANBUL slid nearly 6 per cent in a bout of profit-taking triggered by volatility on the currency markets. The composite index fell 1,577.85 to 25,204.81, having seen a session low of 25,026.

The Turkish lira fell against the dollar after the central bank raised currency rates. However, analysts felt that the downturn could be attributed mainly to investors taking profits following the market's gain of some 21 per cent since August 5.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Aug 23 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1335.28	1336.39	1337.31	1336.57	1339.78	1342.38	1345.38	1347.78
FT-SE Eurotrack 200	1397.67	1397.75	1398.61	1398.38	1400.14	1403.32	1407.53	1408.10

	Aug 22	Aug 19	Aug 18	Aug 17	Aug 16
FT-SE Eurotrack 100	1341.33	1352.29	1362.63	1362.77	1358.59
FT-SE Eurotrack 200	1400.60	1413.21	1415.01	1423.69	1414.41

Base 1000 (26/10/90); High/day: 100 - 1348.44, 200 - 1408.49 Low/day: 100 - 1334.60 200 - 1396.30 † Partial

Monetary policies key to Brussels revival

The bourse has outperformed this year, especially in dollar terms, writes Emma Tucker

August may be a sleepy month in Belgium but the Brussels stock exchange, at least, had laurels to rest on after a late July and early August rally which surprised observers, coming immediately after a 1994 market low on July 13.

Buoyed up by much better than expected half-year results from some of Belgium's biggest blue-chip companies, the Bel-20 weighted index of the 20 largest stocks rose 6.6 per cent to 1,485.54 in a little under four weeks to August 8, against the high of 1,542.65 it reached early in February.

"In those few weeks we saw a clear rally in industrial company stock after a very bad June," said Mr Michel Ernst, investment research manager at Dewaay, the Brussels-based brokers.

Belgium has outperformed other continental European stock markets since the beginning of the year, especially if the strength of its currency is taken into account.

Measured by the FT-Actuaries World Indices, Brussels had risen by 8.1 per cent in terms of the weakening dollar by last Friday, against a 2.6 per cent gain for Europe as a whole.

The country's relatively better showing can be explained partly by a succession of small but steady cuts in short term interest rates since January. Having taken longer to act last year than some of its neighbours, the central bank changed its pace at the start of the year, contributing to a climate of good sentiment through some 25 small rate cuts.

Also helping to keep the market steady has been the absence of new issues, unlike the situation in France, for example, where the privatisation programme produced a good deal of new paper.

"In Belgium there has been virtually nothing," said one London-based broker. "There has been no new paper around for people to buy."

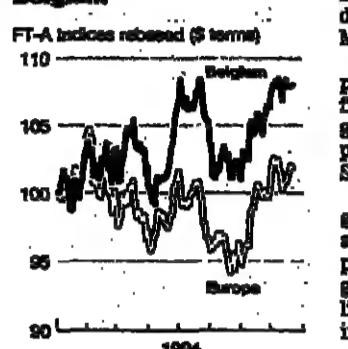
Further, macroeconomic news has been more promising than last year, when the economy remained locked in recession.

In its recent budget statement the government was confident that it would not have to raise taxes or cut spending in order to meet next year's budget deficit target of 4.3 per cent of gross domestic product, thanks to higher than expected growth.

Although the government's comments helped stem some of the worst fears about Belgium's huge deficit problems, certain analysts are sceptical about the official growth forecasts.

Belgium

FT-A indices rebased ($ terms)



Source: Datastream

"The government has based its forecast on a pick-up in consumption in 1994, as people reduce their savings. We don't think that will happen. So far there have been no signs of any real improvement in domestic consumption," said Mr Ernst.

The pleasant surprises that prompted the recent rally came from the interim results of Belgium's big petrochemicals and pharmaceuticals companies, Solvay, UCB, and Petrofina.

Petrofina, the biggest of Belgium's energy groups, announced that recovery in petrochemical activities and gains from asset sales helped lift interim profits to BFr5.2bn in the first half of the year compared with BFr3.8bn a year ago. This came after similarly encouraging results from Solvay and UCB.

Thanks to the results from the blue chips, the outlook is good. Brokers have been urging clients to buy industrial stocks, with expectations high for more good results from the banks and distribution companies next month.

"We must wait until September in order to confirm the good results we have already seen," said Mr Ernst. "This could be the signal for the stock exchange to go into an upward trend."

One potentially unsettling event on the horizon is October's communal elections. Analysts are unsure whether, like the European elections, these will be used as an opportunity to pass judgement on the federal government.

"I don't think they will be seen as a national test. The issues involved are different," said Mr Vanbol. "There will be some nervousness but no great upheaval."

SOUTH AFRICA

Gold shares climbed off lows by the close to end little changed in a session marked by a lack of news. The gold index shed 1 to 2,245, industrials gained 24 to 6,617 and the overall index added 11 to 5,858. De Beers slipped 20 cents to R109.80.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY AUGUST 22 1994								FRIDAY AUGUST 19 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	173.80	-0.2	166.23	107.62	138.33	158.91	0.1	3.51	174.13	166.75	108.40	139.36	156.78	189.15	139.24	146.94
Austria (17)	192.36	-0.8	183.96	119.11	153.10	153.20	-1.2	1.04	193.81	185.59	120.64	155.13	155.06	195.41	164.64	169.29
Belgium (37)	175.91	0.0	168.24	108.92	140.00	136.82	-0.6	4.04	175.85	168.39	109.46	140.76	137.64	176.76	143.82	151.71
Canada (104)	129.75	0.1	124.08	80.34	103.27	129.24	0.1	2.62	129.65	124.15	80.70	103.77	129.15	145.31	120.64	126.41
Denmark (33)	263.23	-0.4	251.75	162.99	209.50	216.90	-1.1	1.37	264.33	253.12	164.54	211.57	219.22	275.79	220.58	227.15
Finland (24)	172.10	1.9	164.60	106.57	136.97	180.51	0.6	0.78	168.98	161.81	105.18	135.25	179.39	172.10	104.28	116.14
France (97)	174.80	-0.7	167.18	108.24	139.12	143.93	-1.4	3.06	176.09	168.62	109.61	140.94	145.93	185.37	159.34	169.70
Germany (58)	147.25	-0.3	140.83	91.18	117.19	117.19	-0.9	1.76	147.75	141.48	91.97	118.26	118.26	147.75	121.78	124.45
Hong Kong (56)	384.11	0.1	367.37	237.85	305.72	381.04	0.1	3.19	383.58	367.33	238.77	307.04	380.59	506.56	288.76	298.19
Ireland (14)	198.07	0.0	189.44	122.65	157.65	182.38	-0.2	3.40	198.01	189.62	123.26	158.50	182.83	209.33	161.54	171.55
Italy (59)	83.10	3.2	79.48	51.46	66.14	96.93	2.7	1.60	80.49	77.08	50.10	64.43	94.42	97.78	57.88	77.14
Japan (469)	166.86	0.1	159.59	103.32	132.81	103.32	-0.4	0.74	166.66	159.60	103.74	133.40	103.74	170.10	124.64	157.20
Malaysia (97)	562.69	0.4	538.16	348.43	447.85	552.82	0.5	1.48	560.39	536.63	348.83	448.56	550.03	621.63	376.61	376.61
Mexico (18)	2328.98	2.2	2227.47	1442.14	1853.62	8441.28	0.2	1.58	2277.81	2181.33	1417.94	1823.28	8421.80	2647.06	1615.11	1709.40
Netherland (27)	213.83	-0.1	204.51	132.41	170.19	167.76	-0.7	3.40	214.04	204.97	133.23	171.32	168.89	214.54	178.50	179.87
New Zealand (14)	70.92	0.1	67.83	43.92	56.45	62.82	0.1	3.90	70.84	67.84	44.10	56.70	62.77	77.59	59.22	62.62
Norway (23)	209.26	0.2	200.15	129.69	166.56	191.37	-0.3	1.73	208.79	199.94	129.96	167.12	192.05	211.74	165.62	174.49
Singapore (44)	359.81	-1.4	344.13	222.80	286.37	248.88	-1.5	1.69	364.85	349.38	227.11	292.04	252.62	378.92	278.79	281.13
South Africa (59)	301.00	-0.8	287.88	186.39	239.57	299.66	1.1	2.09	303.40	290.53	188.86	242.84	296.42	305.44	175.83	196.85
Spain (42)	141.74	-0.2	135.56	87.77	112.81	137.64	-0.8	4.19	142.02	136.00	88.40	113.68	138.82	155.79	128.88	134.69
Sweden (36)	218.43	1.5	208.91	135.26	173.85	244.21	-0.7	1.63	215.26	206.16	134.01	172.32	245.84	231.35	175.83	190.67
Switzerland (47)	161.53	-0.8	154.49	100.02	128.56	129.29	-0.9	1.88	162.77	155.86	101.32	130.28	130.45	176.56	133.67	134.91
United Kingdom (204)	200.81	-0.4	192.05	124.34	159.82	192.05	-0.6	3.95	201.68	193.13	125.54	161.43	193.13	214.96	181.11	188.26
USA (519)	188.88	-0.3	180.65	116.96	150.33	188.86	-0.3	2.65	189.42	181.38	117.91	151.61	189.42	195.04	178.96	186.62
EUROPE (718)	173.73	-0.1	166.16	107.56	138.27	154.16	-0.6	3.01	174.00	166.62	108.31	139.27	155.06	178.58	153.96	156.12
Nordic (116)	216.80	1.0	207.35	134.25	172.55	206.77	-0.5	1.43	214.67	205.57	133.62	171.82	207.84	222.03	173.19	180.88
Pacific Basin (748)	175.59	0.1	167.94	108.73	139.76	113.92	-0.3	1.05	175.43	167.99	109.20	140.42	114.31	176.86	134.79	161.37
Euro-Pacific (1466)	174.68	0.0	167.07	108.16	139.03	130.06	-0.4	1.87	174.70	167.28	108.74	139.83	130.63	175.05	143.88	159.10
North America (623)	185.21	-0.3	177.14	114.69	147.41	184.79	-0.3	2.64	185.71	177.84	115.60	148.65	185.29	192.73	175.67	182.59
Europe Ex. UK (514)	155.42	0.0	148.65	96.24	123.70	132.21	-0.6	2.45	155.40	148.81	96.73	124.38	133.01	158.12	134.07	135.98
Pacific Ex. Japan (279)	261.50	-0.1	250.10	161.93	208.13	233.11	0.0	2.76	261.63	250.54	162.86	209.42	233.04	298.21	198.12	202.56
World Ex. US (1647)	176.06	0.0	168.38	109.02	140.12	133.74	-0.4	1.89	176.04	168.58	109.58	140.91	134.28	178.37	146.58	159.96
World Ex. UK (1962)	177.19	-0.1	169.47	109.72	141.02	146.87	-0.3	2.04	177.29	169.77	110.36	141.90	147.35	177.54	156.66	165.44
World Ex. So. Af. (2107)	178.52	-0.1	170.73	110.54	142.08	149.62	-0.4	2.22	178.67	171.09	111.21	143.01	150.38	178.81	158.54	167.35
World Ex. Japan (1697)	188.12	-0.2	179.92	116.49	149.72	178.59	-0.3	2.87	188.47	180.48	117.32	150.85	179.18	195.20	173.67	174.92
The World Index (2166)	179.28	-0.1	171.46	111.01	142.69	150.92	-0.3	2.22	179.44	171.84	111.70	143.63	151.45	179.60	158.85	167.45

Constituent change with effect 24/8/94: Deletion: Dreyfus Corp. (USA). Latest prices were unavailable for this edition.